

ARIZONA-AMERICAN WATER COMPANY, INC.

DOCKET NO. WS-01303A-06-0403

DIRECT TESTIMONY

OF

RODNEY L. MOORE

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

MARCH 27, 2007

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1 **INTRODUCTION**

2 Q. Please state your name, position, employer and address.

3 A. Rodney L. Moore, Public Utilities Analyst V

4 Residential Utility Consumer Office (“RUCO”)

5 1110 West Washington Street, Suite 220

6 Phoenix, Arizona 85007.

7

8 Q. Please state your educational background and qualifications in the utility
9 regulation field.

10 A. Appendix 1, which is attached to this testimony, describes my educational
11 background and includes a list of the rate case and regulatory matters in
12 which I have participated.

13

14 Q. Please state the purpose of your testimony.

15 A. The purpose of my testimony is to present RUCO’s recommendations
16 regarding Arizona-American Water Company, Anthem Water and
17 Anthem/Agua Fria Wastewater Districts’ (“AZ-AM”, “Company”, “Anthem
18 Water” and/or “Anthem Wastewater”) application for a determination of the
19 current fair value of its utility plant and property and for increases in its
20 rates and charges based thereon for water and wastewater service. The
21 test year utilized by the Company in connection with the preparation of this
22 application is the 12-month period that ended December 31, 2005.

23

1 **BACKGROUND**

2 Q. Even though RUCO has a mandate to advocate the most reasonable
3 utility rates for residential customers and will be recommending
4 adjustments to mitigate the Company's proposed massive rate increase,
5 please explain why it is inevitable there will be noticeable increases in
6 residential rates for both water and wastewater services through this rate
7 proceeding and additional filings to follow in the immediate future.

8 A. There are numerous reasons that AZ-AM filed for potential massive rate
9 increases at this time. For instance:

- 10 1. Arizona statutes require the Arizona Corporation Commission
11 ("Commission" and/or "ACC") to authorize utility rates, which
12 provide a utility company with the opportunity to earn a profit on its
13 prudent investment;
- 14 2. Del Webb created the new community of Anthem in an arid area
15 that could never produce the water needed to support it;
- 16 3. To provide water for Anthem, Del Webb acquired an allocation of
17 Colorado River water from the Ak-Chin Indian Community, along
18 with delivery rights on the Central Arizona Project ("CAP");
- 19 4. Initially, Del Webb entered into an agreement with the Company's
20 predecessor to provide water to service the territory;
- 21 5. To deliver the CAP water required the construction of a pumping
22 station and a nine-mile pipeline;

23

1 6. To provide a guaranteed source of water to meet high peak loads,
2 the Company had to also arrange for two other capacity sources,
3 one with the City of Phoenix and another gravity fed reservoir tank
4 that overlooks Anthem;

5 7. To provide drinking water and waste collection required state-of-
6 the-art treatment facilities, storage and distribution system to
7 integrate a potable water supply from a renewable resource with a
8 wastewater facility that produced Class A+ reusable effluent, to
9 meet the new federal arsenic standard and to satisfy stringent fire-
10 flow requirements;

11 8. To provide service to a desert area that had no water supply
12 required enormous investments. Actual unadjusted 2005 gross
13 utility plant for Anthem cost \$81.6 million for the water system and
14 \$82.7 million for the wastewater system. Much of this plant was
15 financed by Contributions In Aid Of Construction ("CIAC") provided
16 by the developer, Del Webb. Of course, these CIAC's would need
17 to be paid back to Del Webb by the Company. Del Webb agreed to
18 delay the refunds so that the impact on ratepayers would be
19 lessened. Now that these contributions have begun to be refunded,
20 the Company's rate base will more accurately reflect the true cost
21 of the plant necessary to serve customers;

1 9. A Commission imposed three-year moratorium on filing a rate case
2 postponed the timely recovery of this investment;

3 10. To date AZ-AM has been compensated for only a small fraction of
4 this investment; and

5 11. AZ-AM anticipates additional refunds to the developer of \$39.2
6 million by 2008. The Company expects to file another rate case as
7 soon as this case concludes to recover the additional rate base that
8 will be generated by these refunds.

9
10 Q. Please describe your work effort on this project.

11 A. I obtained and reviewed data and performed analytical procedures
12 necessary to understand the Company's filing as it relates to operating
13 income, rate base, the Company's overall revenue requirement and rate
14 design. My recommendations are based on these analyses. Procedures
15 performed include the in-house formulation and analysis of RUCO data
16 requests, the review and analysis of Company responses to ACC Staff
17 data requests, conversations with Company personnel and the review of
18 prior ACC dockets related to the Company.

19
20 In Decision No. 67093, dated June 30, 2004, the Commission approved
21 the Company's present rates and charges for utility service. The test year
22 used in that proceeding was the 12-month period that ended December
23 31, 2001.

1 Q. What areas will you address in your testimony?

2 A. I will address issues related to rate base, operating income, revenue
3 requirements and rate design. RUCO's witness Mr. William Rigsby will
4 provide an analysis of the cost of capital.

5

6 Q. Please identify the exhibits you are sponsoring.

7 A. I am sponsoring Anthem Water Schedules and Anthem Wastewater
8 Schedules each numbered RLM-1 through RLM-16.

9

10 **SUMMARY OF ADJUSTMENTS**

11 Q. Please summarize the adjustments to rate base, operating income and
12 rate design issues addressed in your testimony.

13 A. My testimony addresses the following issues:

14 **Rate Base**

15 Prior Decision's Test-Year Gross Plant and Accumulated Depreciation –

16 This adjustment removes post-test-year plant and reconciles the value of
17 plant to accept verified errors embedded in Decision No. 67093.

18 Test-Year Gross Plant and Accumulated Depreciation – This adjustment
19 restates the value of test-year gross plant and accumulated depreciation
20 to reflect RUCO's computation of plant additions, retirements and
21 accumulated depreciation.

22 Post-test-year Imputed Advances and Contributions In Aid of

23 Construction– This adjustment corrects the amortization of the imputed

1 levels of Advances and Contributions in Aid of Construction since the
2 Citizen's Acquisition Agreement, and removes the Company-proposed
3 post-test-year amortization of advances and contributions in aid of
4 construction.

5 (Anthem Water Only) Amortized Payment For the City of Phoenix Water
6 Interconnection - This adjustment restates the value of the agreement as a
7 regulatory asset to remove it from rate base consideration and removes a
8 pro forma payment to reflect actual end of test-year transactions.

9 (Anthem Wastewater Only) Sewer Treated At Northwest Valley Treatment
10 Plant - This adjustment removes from rate base consideration the portion
11 of Sun City West Wastewater District's Northwest Valley Treatment Plant
12 used by Anthem Wastewater and restates it as an operating expense.

13 Allowance For Working Capital - This adjustment uses a lead/lag
14 methodology to calculate the appropriate level of working cash given
15 RUCO's recommended operating expenses.

16 **Operating Income**

17 Property Tax Expense – This adjustment reflects the appropriate level of
18 property tax expense given RUCO's recommended level of net plant-in-
19 service.

20 Depreciation Expense – This adjustment reflects the level of test-year
21 depreciation expense based on RUCO's adjusted gross plant-in-service
22 and the Company-proposed depreciation rates.

23

1 Rate Case Expense – This adjustment is based on RUCO’s determination
2 of the fair and reasonable cost to the ratepayers for this rate application
3 process.

4 Anthem Direct Payroll and Payroll Benefits – This adjustment reflects
5 computations based on actual Anthem Direct labor hours and the end of
6 test-year wage and salary levels.

7 Corporate Allocated Payroll and Payroll Benefits – This adjustment
8 reflects computations based on actual Corporate Allocated labor and the
9 end of test-year wage and salary levels.

10 Test-Year Operating Expenses – This adjustment to operating expenses
11 removes inappropriate expenditures not necessary in the provisioning of
12 water/wastewater service.

13 (Anthem Water Only) Pro Forma Budgeted Expenses For Conservation –
14 This adjustment removes pro forma costs associated with estimated post-
15 test-year conservation expenses to reflect an actual end of test-year
16 expense level.

17 (Anthem Wastewater Only) Expenses To Treat Sewer At Northwest Valley
18 Treatment Plant - This adjustment removes from rate base the cost of
19 treating sewer at Sun City West Wastewater District’s Northwest Valley
20 Treatment Plant and restates it as an operating expense.

21 Income Tax Expense – This adjustment reflects income tax expenses
22 calculated on RUCO’s recommended revenues and expenses.

23

1 **REVENUE REQUIREMENTS**

2 Q. Please summarize the results of RUCO's analysis of the Company's filing
3 and state RUCO's recommended revenue requirement as outlined on
4 respective Schedules RLM-1.

5 A. RUCO's recommended increase in the Company's revenue requirement is
6 not to exceed:

	<u>AZ-AM</u>	<u>RUCO</u>	<u>DIFFERENCE</u>
8 ANTHEM WATER	\$4,548,026	\$2,395,426	(\$2,152,600)
9 ANTHEM WASTEWATER	\$2,500,188	\$1,532,254	(\$967,934)

10 RUCO's recommended revenue requirement percentage increase versus
11 the Company's proposal is:

	<u>AZ-AM</u>	<u>RUCO</u>	<u>DIFFERENCE</u>
13 ANTHEM WATER	66.22 %	34.88 %	-31.34 %
14 ANTHEM WASTEWATER	40.75 %	24.97 %	-15.78 %

15

16 RUCO's recommended Fair Value Rate Base is:

	<u>AZ-AM</u>	<u>RUCO</u>	<u>DIFFERENCE</u>
18 ANTHEM WATER	\$43,100,616	\$31,603,778	(\$11,496,838)
19 ANTHEM WASTEWATER	\$24,636,158	\$18,188,546	(\$8,110,764)

20

21

22

23

1 Schedules RLM-2 outlines RUCO's recommended rate base with detailed
2 explanations on supporting Schedules RLM-3, RLM-4, and RLM-5.

3 RUCO's recommended required operating income is:

	<u>AZ-AM</u>	<u>RUCO</u>	<u>DIFFERENCE</u>
4 ANTHEM WATER	\$3,590,281	\$2,316,557	(\$1,273,724)
5 ANTHEM WASTEWATER	\$2,052,194	\$1,33,220	(\$718,974)

7

8 **RATE BASE**

9 RUCO Rate Base Adjustment No. 1 – Adjust Prior Decision's Gross Plant
10 and Accumulated Depreciation

11 Q. Please explain your adjustment to the prior test-year gross plant-in-service
12 and accumulated depreciation.

13 A. Through discovery the Company provided documentation to reconcile the
14 actual AZ-AM Corporate and Central plant allocated to each District
15 versus the values authorized in Decision No. 67093. According to the
16 Company's records the corporate allocation authorized in Decision No.
17 67093 was incorrect and had the effect of allocating plant items that were
18 specific to individual districts to all districts. The Company has verified
19 and corrected the plant values authorized in the prior case and will be
20 relying on these corrected records in all future AZ-AM District rate cases.
21 Therefore, it is important to make the appropriate adjustments in the
22 instant case to avoid a double count of AZ-AM's rate base allocated
23 assets as their other Districts file rate case applications.

1 The effect of these corrections in the case of Anthem Water is a decrease
2 in plant-in-service and an increase in Anthem Wastewater's plant-in-
3 service.

4
5 As shown on the respective Schedules RLM-2, column (B), this
6 adjustment modifies the aggregate level of the adjusted test-year net
7 plant-in-service for:

8 Anthem Water by (\$210,812), and

9 Anthem Wastewater by \$386,577.

10

11 RUCO Rate Base Adjustment No. 2 – Adjust Test-Year Gross Plant and
12 Accumulated Depreciation

13 Q. Please explain your adjustment to the test-year gross plant-in-service and
14 accumulated depreciation.

15 A. As shown on respective Schedules RLM-3, this adjustment reflects
16 RUCO's analysis of the Company's filing, as well as the Company's
17 revisions to its workpapers, and RUCO's discussions with Company
18 witnesses to determine the actual value of plant additions, retirements,
19 and the associated accumulated depreciation since the prior adjusted test
20 year. The Company recognizes that its plant and accumulated
21 depreciation figures as filed are incorrect.

22

23

1 As shown on the respective Schedules RLM-2, column (C), this
2 adjustment decreases the aggregate level of the adjusted test-year rate
3 base for:

4 Anthem Water by (\$3,112,201), and
5 Anthem Wastewater by (\$2,150,074).

6

7 RUCO Rate Base Adjustment No. 3 – Remove Post-test-year Imputed
8 Advances In Aid of Construction and Contribution In Aid of Construction

9 Q. Please explain your adjustment to remove post-test-year imputed
10 Advances In Aid of Construction (“AIAC”) and Contribution In Aid of
11 Construction (“CIAC”).

12 A. There are two elements to my adjustment to impute AIAC and CIAC.
13 First, the Company began amortizing the AIAC and CIAC imputed
14 balances on January 1, 2001 rather than the date stipulated in the Citizens’
15 Acquisition Agreement of January 15, 2002. The calculations to correct
16 the AIAC and CIAC imputed balances for the actual end of test year are
17 shown on the respective Schedules RLM-4.

18

19 Second, in the instant case the Company proposes to reduce the test-year
20 unamortized balance of the imputed AIAC and CIAC to reflect additional
21 amortization that goes fully a year and a half outside the test year. This
22 proposal has the effect of increasing the water rate base by \$4,583,488
23 and the wastewater rate base by \$2,977,235, and thereby depriving

1 ratepayers of a portion of the benefit that the Company agreed to in
2 Decision No. 63584.

3

4 Q. Did the Company propose this same post-test-year adjustment its recent
5 Mohave Water and Wastewater rate cases?

6 A. Yes, however, in its rebuttal testimony in that case the Company agreed to
7 concede this issue in the face of Staff and RUCO opposition.

8

9 As shown on respective Schedules RLM-2, column (D) this adjustment
10 decreases the aggregate level of the adjusted test-year rate base for:

11 Anthem Water by (\$7,063,593), and

12 Anthem Wastewater by (\$4,588,204).

13

14 RUCO Rate Base Adjustment No. 4 – (Anthem Water Only) Adjust
15 Payment For the City of Phoenix Interconnect Agreement

16 Q. Please explain your adjustment to the Interconnection Agreement with the
17 City of Phoenix.

18 A. This adjustment consists of three elements. First, RUCO reclassified the
19 Company's adjustment from treatment as utility plant-in-service to
20 recognition as a regulatory rate base asset. Second, RUCO removed the
21 Company's adjustment to include the post-test-year payment of
22 \$1,000,000 recorded in June 2006. Third, RUCO adjusted the
23 amortization of the Company's payment to reflect a half-year convention

1 on the test-year amortized amount and the disallowance of the post-test-
2 year amortization.

3
4 These elements of my adjustment are necessary to adhere to the
5 historical test year principle, as well as to properly account for the Phoenix
6 Agreement as a regulatory asset and not plant-in-service.

7
8 As shown on Anthem Water Schedule RLM-2, column (E) this adjustment
9 decreases the aggregate level of the adjusted test-year rate base by
10 (\$890,411).

11
12 RUCO Rate Base Adjustment No. 5 – (Anthem Wastewater Only)
13 Reclassify Cost For Sewer Treated At Northwest Valley Treatment Plant

14 Q. Please explain why RUCO is reclassifying the Company's adjustment to
15 increase the rate base by the portion of plant used to serve customers
16 located in the Northern territory of the Agua Fria Sewer District.

17 A. Since the Anthem Wastewater District does not have ownership or a
18 contractual agreement for guaranteed sewer treatment at Sun City West
19 Wastewater District's Northwest Valley Sewer Treatment Plant, it cannot
20 be considered as a capital asset for recognition in rate base, as the
21 Company proposes. RUCO recommends the costs associated with this
22 service be reclassified as an operating expense.

23

1 Anthem Wastewater has no ownership in this plant and accordingly it
2 cannot be afforded rate base treatment. The corresponding adjustment
3 for the operations and maintenance (“O & M”) costs of the treatment plant
4 are discussed in the operating income section of my testimony.

5
6 As shown on Anthem Wastewater Schedule RLM-2, column (F) RUCO
7 reversed the Company’s adjustment LJG-4 by removing \$131,432 in gross
8 utility plant and reinstating \$46,161 in accumulated depreciation for an
9 aggregate decrease in adjusted test-year rate base of (\$85,271).

10

11 RUCO Rate Base Adjustment No. 6 – Adjust Allowance For Working
12 Capital

13 Q. What is the Company’s requested level of cash working capital?

14 A. Zero.

15

16 Q. Do you agree with this?

17 A. No. The Company has not presented a lead/lag analysis in this case as
18 required by the Commission for A and B classed utilities.

19

20 Q. Please explain your adjustment to the allowance for working capital.

21 A. RUCO’s adjustment is necessary to include the working cash requirement
22 as an integral part of the working capital allowance and subsequently a
23 determinant of the adjusted rate base. This adjustment is consistent with

1 RUCO's adjustments accepted by the Company in the AZ-AM's Mohave
2 Water and Wastewater rate case application.

3

4 Q. Have you recomputed working capital requirements for the Company
5 based on a lead/lag study.

6 A. Yes. RUCO outlines on the respective Schedules RLM-5, page 2 the
7 computed working cash requirement based on the "(Lead)/Lag Day"
8 parameters previously accepted by AZ-AM and RUCO's adjusted
9 operating expenses.

10

11 As shown on respective Schedules RLM-2, column (G) this adjustment
12 decreases the adjusted test-year rate base for:

13 Anthem Water by (\$272,547), and

14 Anthem Wastewater by (\$59,532).

15

16 **OPERATING INCOME**

17 Operating Income Summary

18 Q. Is RUCO recommending any changes to the Company's proposed
19 operating expenses?

20 A. Yes. The Company proposed thirty-three and thirty-two adjustments to
21 the historical test-year operating incomes of the Anthem Water and
22 Anthem Wastewater, respectively. RUCO analyzed the Company's
23 adjustments and made several additional adjustments to the operating

1 income as filed by the Company. My review, analysis and adjustments
2 are explained below.

3

4 Operating Income Adjustment No. 1 – Property Tax

5 Q. Before you begin to discuss RUCO's methodology of computing property
6 taxes is there an issue you wish to clarify.

7 A. Yes, the Company incorrectly calculated Anthem Water's adjusted
8 revenues for the year ended 2005. This miscalculation distorts the
9 relevance of RUCO's position on this subject by understating the
10 Company's recommended test-year property tax expense by \$81,744.

11

12 RUCO will continue to illuminate its rejection of the Company's
13 methodology for calculating the level of property tax expenses on the
14 grounds that it is not the best estimate of future property taxes. RUCO
15 bases its testimony on the corrected level of the Company's adjustment
16 had the Company imputed the appropriate amounts into its formula.
17 RUCO recalculated the Company's proforma property taxes using the
18 Company's methodology and determined that, had the Company used the
19 correct revenues, the Company's recommended total property tax would
20 have been \$412,326 versus the \$330,552 filed, a difference of \$81,774 or
21 a revised adjustment increase from the filed \$193,836 to \$275,610.

22

23

1 Q. Please continue with the explanation of your adjustment to the Property
2 Tax Expense account.

3 A. As shown on the respective Schedules RLM-8, I made an adjustment to
4 reflect the Company's property tax based on the use of historical inputs in
5 the ADOR formula.

6

7 Q. Please explain the basis for RUCO's adjustment to property tax expenses.

8 A. RUCO has repeatedly demonstrated before this Commission that using
9 historical revenues in the ADOR formula, as the formula dictates, is the
10 best, most accurate estimate of future property taxes.

11

12 RUCO is sure that this is the proper way to measure property tax, now
13 that actual post-test-year property tax expense is known, and comparisons
14 can be made.

15

16 In this case the comparison of actual property tax for 2006 to the
17 estimates using the ADOR recommended revenues and the Company's
18 recommended revenues illustrates that the use of historical inputs in the
19 ADOR's formula is far more accurate.

20

21

22

23

1 Q. How does the Company's methodology vary from the ADOR formula?

2 A. The Company has varied the ADOR formula by using, for valuation
3 purposes, two years of adjusted revenues plus one year of proposed
4 revenues.

5

6 The property tax formula, as prescribed in ADOR's memo of January 3,
7 2001, determines the Full Cash Value ("FCV") of water utilities, for
8 property tax purposes, by multiplying the average of the three previous
9 years of reported gross revenues of the Company by a factor of two.

10

11 Q. What is the result of the Company's calculation of the property tax pro-
12 forma adjustment?

13 A. The result is a FCV, which will likely allow the Company to over-earn
14 based on its expected property tax expense. Among the goals of ADOR
15 was to arrive at a forward looking valuation formula that would produce
16 predictable values, logical results and minimize the tax impact from the
17 previous year.

18

19 Q. Do you have any evidence RUCO's calculation is more appropriate?

20 A. Yes, I do. The evidence in this case once again attests to the accuracy of
21 RUCO's calculation. Using ADOR's formula, RUCO's recommended
22 property tax expenses for 2006 are respectively \$328,643 and \$257,985
23 for Anthem Water and Wastewater Districts. By comparison, the

1 Company's 2006 proposed property tax expenses are respectively
2 \$412,326 (RUCO corrected) and \$345,574 for the Anthem Water and
3 Wastewater Districts. The actual property taxes assessed by ADOR for
4 2006 are respectively \$264,576 and \$196,290 for the Water and
5 Wastewater Districts. Thus, the ADOR formula using historical inputs
6 results in a better estimate of property tax expense than does the
7 Company's "modified" formula.

8
9 ANTHEM WATER

<u>YEAR</u>	<u>ACTUAL ADOR ASSESSMENT</u>	<u>ADOR/RUCO FORMULA</u>	<u>COMPANY MODIFIED</u>
2006	\$264,576	\$326,572	\$412,326

10
11
12
13
14 ANTHEM WASTEWATER

<u>YEAR</u>	<u>ACTUAL ADOR ASSESSMENT</u>	<u>ADOR/RUCO FORMULA</u>	<u>COMPANY MODIFIED</u>
2006	\$196,290	\$255,369	\$348,574

15
16
17
18
19 It is unlikely that the Company will generate revenues consistent with its
20 estimates in the near future. Because of the lag between the time the tax
21 is incurred and the time the tax is collected, the Company will be over-
22 collecting the property tax expense for quite a few years before the actual
23 assessment will catch up to the Company's 2006 projected revenue. In
24 fact as will be fully explained below, it will be another three years before
25 new rates are fully incorporated into the formula. In the meantime, the

1 Company will be recovering its property tax expense based on an inflated
2 revenue projection.

3

4 Q. When will the Company pay the property tax impacted by the changes in
5 revenues approved in this rate case?

6 A. Assuming rates go into effect by the end of 2007, it will not be until the end
7 of 2008 before the Company will have one full year of operating revenues
8 at the new rates.

9

10 The Company will pay property taxes for the tax-year 2008 semi-annually,
11 the first payment becoming due in October 2008, and the final payment
12 due in March 2009. The impact that this rate increase has on the property
13 tax assessment will take two additional years before being fully reflected
14 on the property tax bill.

15

16 Therefore, the ADOR calculation that encompasses the full effect of the
17 authorized rate relief in the instant case will not be computed until 2011,
18 because it is not until then that historical years 2008, 2009 and 2010 will
19 be assessed.

20

21

22

23

1 Q. Please summarize your adjustment to the property tax expense.

2 A. As outlined on respective Schedules RLM-8, this adjustment decreases
3 adjusted test-year operating expenses for:

4 Anthem Water by (\$1,909) (See note below), and

5 Anthem Wastewater by (\$90,589).

6

7 NOTE: Had the Company accurately computed its formula for the
8 property tax in Anthem Water, RUCO's adjustment would have been a
9 decrease of (\$85,754).

10

11 Operating Income Adjustment No. 2 – Depreciation Expenses

12 Q. Please explain your methodology to compute depreciation expense.

13 A. RUCO computed test-year depreciation expense for each District by
14 multiplying RUCO's level of test-year gross plant-in-service by the
15 Company's proposed depreciation rates.

16

17 As outlined on the respective Schedules RLM-9, this adjustment modifies
18 adjusted test-year operating expenses for:

19 Anthem Water by (\$231,210), and

20 Anthem Wastewater by \$195,231.

21

22

23

1 Operating Income Adjustment No. 3 – Rate Case Expense

2 Q. Please explain RUCO's adjustment to Rate Case Expense.

3 A. This adjustment consists of two elements. First, the Company's estimate
4 for rate design and cost of service was reduced; and second, the
5 Company's arbitrary rounding up of the rate case expenses was removed.

6

7 Q. Please elaborate on the first element of the rate case expense adjustment.

8 A. The Company's estimate for Rate Design and Cost of Service studies
9 expense is \$143,000; however, I disallowed \$100,000. The \$43,000 that
10 RUCO allowed and recommended is based on AZ-AM Paradise Valley
11 Water District's most recent rate case. In that case, Mr. Ronald Kozoman
12 charged \$10,000 for the Cost of Service Study and \$5,000 for the Rate
13 Design. This \$43,000 recommended by RUCO is more than enough to
14 recognize that two systems were involved in this case.

15

16 Q. Please elaborate on the second element of the rate case expense
17 adjustment.

18 A. The Company's rate case expenses included \$16,038 to round its
19 estimate up to \$300,000. RUCO considers this an unnecessary
20 computation and therefore removed this component from its
21 recommended level of rate case expense.

22

23

1 Q. What is your total recommended rate case expense adjustment?

2 A. As shown on respective Schedules RLM-10, I have reduced the Company
3 requested rate case expense of \$300,000 by \$116,038 to remove the
4 excess costs discussed and the rounding issue just discussed. I then
5 allocated my recommended rate case expense of \$183,962 based on a
6 50/50 split between the Water District and Wastewater District. I have
7 accepted the Company-proposed three-year amortization rate. This
8 results in a \$19,340 annual reduction in the Company's requested rate
9 case expense.

10

11 Operating Income Adjustment No. 4 – Normalized Anthem Direct Payroll
12 and Payroll Benefits

13 Q. Please explain your adjustment to normalize Anthem direct payroll and
14 payroll benefits.

15 A. This adjustment is based entirely on the data extrapolated from the
16 Company's workpaper designated as "Labor Transactions". Through the
17 Company's workpaper I determined the actual test-year labor required to
18 provide service to the test-year customer base. This level of labor-hours
19 became the basis by which the components of this adjustment were
20 calculated.

21

22 The major reason for this adjustment is that the Company based its
23 adjustment to payroll expense components (i.e. the cost of labor, 401(k),

1 group insurance and payroll taxes) on calculations using the employee
2 hourly rate of pay that was awarded post-test year in April of 2006.
3 Instead, RUCO adhered to the matching principal and relied on the rate-
4 making elements established within the historical test-year, which included
5 calculating the payroll expense components based on end of test-year
6 salary levels.

7

8 In summary, as shown on respective Schedules RLM-7, column (E) and
9 outlined on supporting Schedules RLM-11, column (A), this adjustment
10 decreases adjusted test-year operating expenses for:

11 Anthem Water by (\$67,818), and

12 Anthem Wastewater by (\$59,958).

13

14 Operating Income Adjustment No. 5 – Normalized Corporate Allocated
15 Payroll and Payroll Benefits

16 Q. Please explain your adjustment to normalize corporate allocated payroll
17 and payroll benefits.

18 A. This adjustment follows the same format as the previous adjustment for
19 Anthem direct payroll expense and is primarily driven by the Company's
20 use of post-test-year salary increases.

21

22

23

1 In summary as shown on respective Schedules RLM-7, column (F) and
2 outlined on supporting Schedules RLM-11, column (B), this adjustment
3 decreases adjusted test-year operating expenses for:

4 Anthem Water by (\$13,396), and
5 Anthem Wastewater by (\$9,735).

6

7 Operating Income Adjustment No. 6 – Disallowance of Inappropriate
8 and/or Unnecessary Expenses

9 Q. Please explain your analysis of the various operating expense accounts
10 that result in your removal of inappropriate or unnecessary costs for the
11 provisioning of water/wastewater service.

12 A After review of all the journal entries in various expense accounts, I
13 determined there were numerous expenditures that were either
14 questionable, inappropriate and/or unnecessary.

15

16 Therefore, as shown on respective Schedules RLM-12 and supporting
17 workpapers attached, I have made an adjustment to remove test-year
18 expenses related to payments for gifts, awards, corporate events,
19 advertising and for various meals, lodging and refreshments, which are
20 not necessary in the provisioning of water and wastewater service. The
21 back-up documentation denoting each individual expense removed is
22 recorded in my Workpaper Schedules WP RLM-12.

23

1 The burden of proof is on the Company to substantiate the
2 appropriateness of the journal entries identified and the Company has
3 failed to justify the entries.

4

5 As shown on Schedule RLM-7, column (G), this adjustment decreases
6 adjusted test-year operating expenses for:

7 Anthem Water by (\$78,333), and

8 Anthem Wastewater by (\$13,413).

9

10 Operating Income Adjustment No. 7 – (Anthem Water Only) Remove Pro
11 Forma Expenses Budgeted For Conservation

12 Q. Please explain your adjustment to remove the pro forma expenses in the
13 Company's conservation budget.

14 A. The Company has projected costs that may be incurred for promoting
15 water conservation in Anthem during 2006. These expenses were not
16 filed with known, measurable and verifiable documentation and
17 furthermore the expenditures were scheduled to be incurred outside the
18 test year.

19

20 As a general rule, to avoid a mismatch in ratemaking elements, RUCO
21 does not recognize post-test-year or non-known and measurable
22 expenses.

23

1 Therefore, as shown on the Anthem Water's Schedule RLM-7, column (H)
2 this adjustment decreases the adjusted test-year operating expenses by
3 (\$7,500).

4

5 Operating Income Adjustment No. 8 – (Anthem Wastewater Only)
6 Reclassify Cost For Sewer Treated At Northwest Valley Treatment Plant

7 Q. Please explain why RUCO is reclassifying the Company's adjustment to
8 increase the rate base by the portion of plant dedicated to serve
9 customers located in the Northern territory of the Agua Fria Sewer District.

10 A. This is a companion adjustment to the Anthem Wastewater's rate base
11 adjustment number 5. Since Anthem Wastewater does not have a capital
12 investment in the Sun City West Wastewater District's Northwest Valley
13 Treatment Plant it cannot record costs associated with the treatment of
14 sewer from some its Agua Fria/Anthem customers as a plant asset and
15 include it in its rate base. The treatment facilities Sun City West utilizes to
16 process some of Agua Fria/Anthem's sewage should appropriately be
17 reflected as an asset on Sun City West's books and records and as O & M
18 costs to Anthem Wastewater.

19

20

21

22

23

1 Therefore, RUCO calculated this test-year expense by taking the total
2 annual test-year operating expenses, as per Sun City West Wastewater
3 rate case application WS-01303A-06-0491, of \$1,266,963 and multiplying
4 that amount by the percentage of the capacity in that plant that Anthem
5 Wastewater used during the test year (i.e. 2.25%).

6
7 As shown on Anthem Wastewater Schedule RLM-7, column (I) this
8 adjustment increases adjusted test-year operating expenses by \$28,507
9 [2.25% X \$1,266,963 = \$28,507].

10
11 Operating Income Adjustment No. 9 – Income Tax Expense – This
12 adjustment reflects income tax expenses calculated on RUCO's
13 recommended revenues and expenses.

14
15 As shown on respective Schedules RLM-7, column (J), and outlined on
16 supporting Schedules RLM-13 this adjustment increases adjusted test-
17 year operating expenses for:

18 Anthem Water by \$258,413, and
19 Anthem Wastewater by \$49,140.

20
21
22
23

1 **RATE DESIGN**

2 Q. Please explain RUCO's recommended rate designs.

3 A. As shown on the respective Schedules RLM-14, RUCO uses the same
4 parameters as the Company proposes in its rate design (i.e. same
5 percentages of revenue generated by each class of service and same
6 percentage of revenue generated between the fixed and variable
7 components) to reflect RUCO's recommended revenue requirement.

8

9 **PROOF OF RECOMMENDED REVENUE**

10 Q. Have you prepared a Schedule presenting proof of your recommended
11 revenue?

12 A. Yes, I have. Proof that RUCO's recommended rate designs will produce
13 the recommended required revenue as illustrated, is also presented on the
14 respective Schedules RLM-14.

15

16 **TYPICAL BILL ANALYSIS**

17 Q. Have you prepared a Schedule representing the financial impact of
18 RUCO's recommended rate design on the typical residential customer?

19 A. Yes, I have. A typical bill analysis for residential customers with various
20 levels of usage is presented on the respective Schedules RLM-15.

21

22

23

1 **COST OF CAPITAL**

2 Q. Is RUCO proposing any adjustments to the Company proposed cost of
3 capital?

4 A. Yes, it is. As shown on Schedule RLM-16, this adjustment decreases the
5 Company's cost of common equity and therefore its weighted cost of
6 capital by 100 basis points from 8.33 to 7.33 percent to reflect current
7 market conditions. This adjustment is fully explained in the testimony of
8 RUCO witness Mr. Rigsby.

9
10 Q. Does this conclude your direct testimony?

11 A. Yes, it does.

APPENDIX 1

Qualifications of Rodney Lane Moore

EDUCATION: Athabasca University
Bachelor's Degree in Business Administration - 1993

EXPERIENCE: Public Utilities Analyst V
Residential Utility Consumer Office
Phoenix, Arizona 85007
May 2001 - Present

My duties include review and analysis of financial records and other documents of regulated utilities for accuracy, completeness, and reasonableness. I am also responsible for the preparation of work papers and Schedules resulting in testimony and/or reports regarding utility applications for increase in rates, financings, and other matters. Extensive use of Microsoft Excel and Word, spreadsheet modeling and financial statement analysis.

Auditor
Arizona Corporation Commission
Phoenix, Arizona 85007
October 1999 - May 2001

My duties include review and analysis of financial records and other documents of regulated utilities for accuracy, completeness, and reasonableness. I am also responsible for the preparation of work papers and Schedules resulting in testimony and/or reports regarding utility applications for increase in rates, financings, and other matters. Extensive use of Microsoft Excel and Word, spreadsheet modeling and financial statement analysis.

RESUME OF RATE CASE AND REGULATORY PARTICIPATION

<u>Utility Company</u>	<u>Docket No.</u>
Rio Verde Utilities, Inc	WS-02156A-00-0321
Black Mountain Gas Company	G-03703A-01-0283
Green Valley Water Company	W-02025A-01-0559
New River Utility Company	W-01737A-01-0662

Dragoon Water Company	W-01917A-01-0851
Roosevelt Lake Resort, Inc.	W-01958A-02-0283
Southwest Gas Company	G-01551A-02-0425
Arizona-American Water Company	W-01303A-02-0867 et al
Rio Rico Utilities, Inc.	WS-02676A-03-0434
Qwest Corporation	T-01051B-03-0454
Chaparral City Water Company	W-02113A-04-0616
Southwest Gas Company	G-01551A-04-0876
Arizona-American Water Company	W-01303A-05-0405
Far West Water and Sewer Company	WS-03478A-05-0801
Gold Canyon Sewer Company	SW-02519A-06-0015
UNS Gas, Inc.	G-04204A-06-0463

TABLE OF CONTENTS TO RLM SCHEDULES

SCH. NO.	PAGE NO.	TITLE
RLM-1	1 & 2	REVENUE REQUIREMENT AND GROSS REVENUE CONVERSION FACTOR
RLM-2	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
RLM-3	1	RATE BASE ADJUSTMENT NO. 1 - ADJUST PRIOR DECISION'S POST TEST-YEAR PLANT
RLM-3	1 TO 5	RATE BASE ADJUSTMENT NO. 2 - ADJUSTMENT TO GROSS PLANT AND ACCUMULATED DEPRECIATION
RLM-4	1	RATE BASE ADJUSTMENT NO. 3 - REMOVE POST TEST-YEAR CIAC AND AIAC
TESTIMONY		RATE BASE ADJUSTMENT NO. 4 - ADJUST AMORTIZATION PAYMENT TO PHOENIX INTERCONNECTION
		WASTEWATER ONLY RATE BASE ADJUSTMENT NO. 5 - INTENTIONALLY LEFT BLANK
RLM-5	1 & 2	RATE BASE ADJUSTMENT NO. 6 - ALLOWANCE FOR WORKING CAPITAL
RLM-6	1	OPERATING INCOME
RLM-7	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
RLM-8	1	OPERATING INCOME ADJUSTMENT NO. 1 - PROPERTY TAX COMPUTATION
RLM-9	1	OPERATING INCOME ADJUSTMENT NO. 2 - TEST YEAR DEPRECIATION EXPENSE
RLM-10	1	OPERATING INCOME ADJUSTMENT NO. 3 - RATE CASE EXPENSE
RLM-11	1	OPERATING INCOME ADJUSTMENT NO. 4 - NORMALIZE ANTHEM DIRECT LABOR AND BENEFITS
RLM-11	1	OPERATING INCOME ADJUSTMENT NO. 5 - NORMALIZE CORPORATE ALLOCATED LABOR AND BENEFITS
RLM-12	1	OPERATING INCOME ADJUSTMENT NO. 6 - REMOVE INAPPROPRIATE MISCELLANEOUS EXPENSES
TESTIMONY		OPERATING INCOME ADJUSTMENT NO. 7 - REMOVE PRO FORMA EXPENSES BUDGETED FOR CONSERVATION
		WASTEWATER ONLY OPERATING INCOME ADJUSTMENT NO. 8 - INTENTIONALLY LEFT BLANK
RLM-13		OPERATING INCOME ADJUSTMENT NO. 9 - INCOME TAX EXPENSE
RLM-14	1	RATE DESIGN AND PROOF OF RECOMMENDED REVENUE
RLM-15	1	TYPICAL BILL ANALYSIS
RLM-16	1	COST OF CAPITAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Fair Value Rate Base	\$ 43,100,616	\$ 31,603,778
2	Adjusted Operating Income (Loss)	\$ 797,742	\$ 845,739
3	Current Rate Of Return (L2 / L1)	1.85%	2.68%
4	Required Operating Income (L5 X L1)	\$ 3,590,281	\$ 2,316,557
5	Required Rate Of Return On Fair Value Rate Base	8.33%	7.33%
6	Operating Income Deficiency (L4 - L2)	\$ 2,792,539	\$ 1,470,818
7	Gross Revenue Conversion Factor (RLM-1, Page 2)	1.6286	1.6286
8	Increase In Gross Revenue Requirement (L7 X L6)	\$ 4,548,026	\$ 2,395,426
9	Adjusted Test Year Revenue	\$ 6,867,770	\$ 6,867,770
10	Proposed Annual Revenue (L8 + L9)	\$ 11,415,796	\$ 9,263,196
11	Required Percentage Increase In Revenue (L8 / L9)	66.22%	34.88%
12	Rate Of Return On Common Equity	11.75%	10.27%

References:

Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule RLM-1 Page 2, RLM-6, And RLM-16

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
CALCULATION OF GROSS REVENUE CONVERSION FACTOR:					
1	Revenue	1.0000			
2	Combined Federal And State Tax Rate (L10)	<u>(0.3860)</u>			
3	Subtotal (L1 + L2)	0.6140			
4	Revenue Conversion Factor (L1 / L3)	1.6286			
CALCULATION OF EFFECTIVE TAX RATE:					
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	<u>6.9680%</u>			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	34.0000%			
9	Effective Federal Income Tax Rate (L7 X L8)	<u>31.6309%</u>			
10	Combined Federal And State Income Tax Rate (L6 + L9)	<u>38.5989%</u>			
11	Required Operating Income (Sch. RLM-1, Pg 1, C (B), L4)	\$ 2,316,557			
12	Adj'd T.Y. Oper'g Inc. (Loss) (Sch. RLM-1, Pg 1, C (B), L2)	<u>845,739</u>			
13	Required Increase In Operating Income (L11 - L12)		\$ 1,470,818		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	\$ 816,146			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	<u>(108,461)</u>			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		<u>\$ 924,607</u>		
17	Total Required Increase In Revenue (L13 + L16)		<u>\$ 2,395,426</u>		
CALCULATION OF INCOME TAX:					
RUCO Recommended					
18	Revenue (Sch. RLM-1, Pg 1, Col. (B), L10)		\$ 9,263,196		
19	Operating Expense Excluding Income Tax (RLM-6, Col. (E), L25 - L23)		(6,130,493)		
20	Synchronized Interest (Col. (C), L37)		<u>(1,018,274)</u>		
21	Arizona Taxable Income (L18 + L19 + L20)		\$ 2,114,429		
22	Arizona State Income Tax Rate		6.9680%		
23	Arizona Income Tax (L21 X L22)			\$ 147,333	
24	Fed. Taxable Income (L21 - L23)		\$ 1,967,096		
25	Fed. Tax On 1st Inc. Bracket (\$1 - \$50,000) @ 15%		\$ 7,500		
26	Fed. Tax On 2nd Inc. Bracket (\$50,001 - \$75,000) @ 25%		6,250		
27	Fed. Tax On 3rd Inc. Bracket (\$75,001 - \$100,000) @ 34%		8,500		
28	Fed. Tax On 4th Inc. Bracket (\$100,001 - \$335,000) @ 39%		91,650		
29	Fed. Tax On 5th Inc. Bracket (\$335,001 - \$10M) @ 34%		554,913		
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)			\$ 668,813	
31	Combined Federal And State Income Tax (L23 + L30)			<u>\$ 816,146</u>	
32	Test Year Combined Income Tax, RUCO As Adjusted (RLM-6, Col. (C), L24)			\$ (108,461)	
33	RUCO Adjustment (L31 - L32) (See RLM-6, Col. (D), L23)			<u>\$ 924,607</u>	
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				34.00%
CALCULATION OF INTEREST SYNCHRONIZATION:					
35	Rate Base (Sch. RLM-2, Col. (H), L15)		\$ 31,603,778		
36	Weighted Avg. Cost Of Debt (Sch. RLM-16, Col. (F), L1)		3.22%		
37	Synchronized Interest (L35 X L36)		<u>\$ 1,018,274</u>		

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		COMPANY AS FILED OCRB/FVRB	RUCO ADJM'T NO. 1	RUCO ADJM'T NO. 2	RUCO ADJM'T NO. 3	RUCO ADJM'T NO. 4	RUCO ADJM'T NO. 5	RUCO ADJM'T NO. 6	RUCO ADJ'TED OCRB/FVRB
1	Gross Utility Plant In Service	\$ 81,586,201	\$ (213,898)	\$ (2,032,704)	\$ -	\$ (2,000,000)	\$ -	\$ -	\$ 77,339,598
2	Amortization Of Phoenix Interconnection	(109,589)	-	-	-	109,589	-	-	-
3	Accumulated Depreciation	(7,317,529)	3,087	(1,079,497)	-	-	-	-	(8,393,939)
4	Net Utility Plant In Service (Sum L1, L2 & L3)	<u>\$ 74,159,083</u>	<u>\$ (210,812)</u>	<u>\$ (3,112,201)</u>	<u>\$ -</u>	<u>\$ (1,890,411)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,945,659</u>
5	Advances In Aid Of Const.	\$ (26,316,298)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (26,316,298)
6	Contribution In Aid Of Const.	\$ (117,915)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (117,915)
7	Accumulated Amortization Of CIAC	5,025	-	-	-	-	-	-	5,025
8	NET CIAC (L6 + L7)	<u>\$ (112,890)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (112,890)</u>
9	Regulatory Asset - Phoenix Interconnection	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
10	Amortization Of Regulatory Asset	-	-	-	-	(27,397)	-	-	(27,397)
11	Imputed Regulatory Advances	\$ (4,475,945)	\$ -	\$ -	\$ (6,897,860)	\$ -	\$ -	\$ -	\$ (11,373,805)
12	Imputed Regulatory Contributions	\$ (483,942)	\$ -	\$ -	\$ (165,733)	\$ -	\$ -	\$ -	\$ (649,675)
13	Customer Meter Deposits	\$ (2,880)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,880)
14	Deferred Income Taxes And Credits	\$ 284,160	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 284,160
15	Investment Tax Credits	\$ (11,546)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (11,546)
16	Allowance For Working Capital	\$ 60,874	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (219,822)	\$ (158,948)
17	TOTAL RATE BASE (Sum L's 4, 5, & 8 Thru 16)	<u>\$ 43,100,616</u>	<u>\$ (210,812)</u>	<u>\$ (3,112,201)</u>	<u>\$ (7,063,593)</u>	<u>\$ (890,411)</u>	<u>\$ -</u>	<u>\$ (219,822)</u>	<u>\$ 31,603,778</u>

References:

- Column (A): Company Schedule B-2, Page 1 And Workpapers Schedule E-1
- Column (B): Adjustment No. 1 - Adjustment To Post Test-Year Plant From Prior Decision (See RLM-3, Page 1, And Testimony, RLM)
- Column (C): Adjustment No. 2 - Adjust Test-Year Gross Plant And Accumulated Depreciation (See RLM-3, Pages 1 Thru 5, And Testimony, RLM)
- Column (D): Adjustment No. 3 - Remove Post Test-Year CIAC And AIAC (See RLM-4)
- Column (E): Adjustment No. 4 - Adjust Post Test-Year Amortization Payment Of PHX Interconnection (See Testimony, RLM)
- Column (F): Adjustment No. 5 - Intentionally Left Blank
- Column (G): Adjustment No. 6 - Allowance For Working Capital
- Column (H): Sum Of Columns (A), (B), (C), (D), (E), (F) & (G)

**TEST YEAR PLANT SCHEDULES
PRIOR TEST YEAR ENDED DECEMBER 31, 2001**

LINE NO.	ACCT. NO.	ACCOUNT NAME	PRIOR DECISION NO. 67093			RUCO ADJUSTED PRIOR TEST YEAR			
			DEP. RATE	GROSS PLANT	ACCUMULATED DEPRECIATION	PLANT ADJUSTMENT	ACC. DEP. ADJUSTMENT	GROSS PLANT	ACCUMULATED DEPRECIATION
1	301000	Organization	0.00%	-	-	-	-	-	-
2	302000	Franchises	0.00%	3,827,476	-	-	-	3,827,476	-
5	303200	Land & Ld Rights SS	0.00%	5,000	-	-	-	5,000	-
6	304100	Struct & Imp SS	2.50%	212,175	(7,086)	(118,894)	10	93,281	(7,076)
7	305000	Collect & Impounding	2.50%	370,979	(16,351)	-	24	370,979	(16,327)
8	306000	Lake, River & Other Intakes	2.50%	394,971	(26,323)	-	39	394,971	(26,284)
9	307000	Wells & Springs	2.52%	461,497	(22,685)	-	34	461,497	(22,652)
10	303300	Land & Ld Rights P	0.00%	20,000	-	-	-	20,000	-
11	304200	Struct & Imp P	1.67%	2,057,878	(89,942)	10,000	133	2,067,878	(89,809)
12	311200	Pump Equip Electric	4.42%	9,608,437	(1,005,929)	998	1,488	9,609,435	(1,004,441)
14	311500	Pump Equip Other	4.42%	1,476	(97)	-	-	1,476	(97)
16	303500	Land & Ld Rights TD	0.00%	-	-	-	-	-	-
18	304300	Struct & Imp WT	1.67%	634,556	(10,414)	-	15	634,556	(10,399)
19	320100	WT Equip Non-Media	4.00%	4,378,549	(253,912)	(2,944)	376	4,375,605	(253,536)
20	304400	Struct & Imp TD	1.69%	18,469	(305)	-	-	18,469	(305)
23	330000	Dist Reservoirs & Standpipe	1.67%	1,882,333	(82,474)	(15,364)	122	1,866,969	(82,352)
24	331001	TD Mains Not Classified by	1.53%	15,456,070	(453,932)	(15,456,070)	671	-	(453,261)
25	331100	TD Mains 4in & Less	1.53%	-	-	15,456,070	-	15,456,070	-
26	331200	TD Mains 6in to 8in	1.53%	-	-	-	-	-	-
27	331300	TD Mains 10in to 16in	1.53%	-	-	-	-	-	-
28	333000	Services	2.48%	773,445	(23,942)	-	35	773,445	(23,907)
30	334100	Meters	2.51%	411,258	(11,468)	-	17	411,258	(11,451)
31	334200	Meter Installations	2.51%	-	-	-	-	-	-
32	335000	Hydrants	2.00%	618,693	(15,871)	-	23	618,693	(15,847)
33	303600	Land & Land Rights AG	0.00%	-	-	-	-	-	-
36	304510	Struct & Imp AG Cap Lease	1.68%	-	-	-	-	-	-
37	304600	Struct & Imp Offices	1.68%	-	-	110,668	(11,822)	110,668	(11,822)
38	304620	Struct & Imp Leasehold	1.68%	-	-	-	-	-	-
39	304700	Struct & Imp Store,Shop,Gar	4.14%	-	-	-	-	-	-
40	340100	Office Furniture & Equip	4.55%	-	-	41,220	(13,532)	39,073	(13,532)
41	340200	Comp & Periph Equip	4.55%	-	-	-	-	-	-
42	340300	Computer Software	4.55%	-	-	-	16,665	-	16,665
43	340330	Comp Software Other	4.55%	-	-	-	-	-	-
44	341100	Trans Equip Lt Duty Trks	25.00%	-	-	110,628	(36,883)	109,600	(36,883)
45	341200	Trans Equip Hvy Duty Trks	25.00%	-	-	-	-	-	-
46	341400	Trans Equip Other	25.00%	-	-	-	-	-	-
47	342000	Stores Equipment	3.92%	-	-	-	(273)	-	(273)
48	343000	Tools,Shop,Garage Equip	4.14%	-	-	9,046	(670)	4,046	(670)
49	344000	Laboratory Equipment	3.71%	-	-	24,763	(1,255)	24,313	(1,255)
50	345000	Power Operated Equipment	5.14%	-	-	7,219	(1,537)	4,719	(1,537)
51	346100	Comm Equip Non-Telephone	10.28%	-	-	(4,995)	(11,659)	-	(11,659)
52	346200	Comm Equip Telephone	10.28%	-	-	-	-	-	-
53	346300	Comm Equip Other	10.28%	-	-	8,440	-	8,440	-
54	347000	Misc Equipment	4.98%	-	-	-	(4,696)	-	(4,696)
55	SUB-TOTAL			\$ 41,133,262	\$ (2,020,731)	\$ 180,785	\$ (62,672)	\$ 41,307,917	\$ (2,083,404)
CORPORATE AND CENTRAL ALLOCATED PLANT									
56	303600	Land & Land Rights AG	0.00%	\$ 171	\$ -	\$ (171)	\$ -	\$ -	\$ -
57	304510	Struct & Imp AG Cap Lease	1.68%	-	-	-	-	-	-
58	304600	Struct & Imp Offices	1.68%	117,574	(11,840)	(117,574)	11,840	-	-
59	304620	Struct & Imp Leasehold	1.68%	-	-	-	-	-	-
60	340100	Office Furniture & Equip	4.55%	57,876	(13,552)	(57,876)	13,552	-	-
61	340200	Comp & Periph Equip	4.55%	-	-	-	-	-	-
62	340300	Computer Software	4.55%	60,313	16,690	(60,313)	(16,690)	-	-
63	340330	Comp Software Other	4.55%	-	-	-	-	-	-
64	341100	Trans Equip Lt Duty Trks	25.00%	90,270	(36,938)	(90,270)	36,938	-	-
65	342000	Stores Equipment	3.92%	1,008	(273)	(1,008)	273	-	-
66	343000	Tools,Shop,Garage Equip	4.14%	14,430	(671)	(14,430)	671	-	-
67	344000	Laboratory Equipment	3.71%	6,621	(1,257)	(6,621)	1,257	-	-
68	345000	Power Operated Equipment	5.14%	4,224	(1,539)	(4,224)	1,539	-	-
69	346100	Comm Equip Non-Telephone	10.28%	32,468	(11,676)	(32,468)	11,676	-	-
70	346300	Comm Equip Other	10.28%	-	-	-	-	-	-
71	347000	Misc Equipment	4.98%	9,728	(4,703)	(9,728)	4,703	-	-
72	SUB-TOTAL			\$ 394,684	\$ (65,759)	\$ (394,684)	\$ 65,759	\$ -	\$ -
73	TOTAL			\$ 41,527,945	\$ (2,086,490)	\$ (213,898)	\$ 3,087	\$ 41,307,917	\$ (2,083,404)
74	RUCO Adjustment To Prior Test-Year Gross Plant In Service (See RLM-2, Column (B))					\$ (213,898)			
75	RUCO Adjustment To Prior Test-Year Accumulated Depreciation (See RLM-2, Column (B))					\$ 3,087			

References:

Columns (A) (B) (C): Company Schedules B-2, Page 4a Thru B-2, Page 4f
Columns (D) (E): See Testimony, RLM
Column (F): Column (B) - Column (D)
Column (G): Column (C) - Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2002

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A) PLANT ADDITIONS	(B) PLANT RETIREMENTS	(C) RUCO CALCULATED ANNUAL DEP.	(D) TOTAL PLANT VALUE	(E) ACCUMULATED DEPRECIATION	(F) NET PLANT VALUE
1	301000	Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302000	Franchises	891,763	-	-	4,719,239	-	4,719,239
5	303200	Land & Ld Rights SS	-	-	-	5,000	-	5,000
6	304100	Struct & Imp SS	1,460,821	-	(20,592)	1,554,102	(27,668)	1,526,434
7	305000	Collect & Impounding	-	-	(9,274)	370,979	(25,601)	345,378
8	306000	Lake, River & Other Intakes	-	-	(9,874)	394,971	(36,158)	358,814
9	307000	Wells & Springs	-	-	(11,630)	461,497	(34,281)	427,215
10	303300	Land & Ld Rights P	-	-	-	20,000	-	20,000
11	304200	Struct & Imp P	-	-	(34,534)	2,067,878	(124,343)	1,943,535
12	311200	Pump Equip Electric	1,453,706	-	(456,864)	11,063,141	(1,461,305)	9,601,836
14	311500	Pump Equip Other	-	-	(65)	1,476	(163)	1,313
16	303500	Land & Ld Rights TD	-	-	-	-	-	-
18	304300	Struct & Imp WT	117,134	-	(11,575)	751,690	(21,974)	729,716
19	320100	WT Equip Non-Media	591,404	(229,100)	(182,270)	4,737,909	(664,906)	4,073,003
20	304400	Struct & Imp TD	-	-	(312)	18,469	(617)	17,852
23	330000	Dist Reservoirs & Standpipe	844,808	-	(38,233)	2,711,777	(120,584)	2,591,193
24	331001	TD Mains Not Classified by	-	-	-	-	(453,261)	(453,261)
25	331100	TD Mains 4in & Less	2,720,912	-	(257,293)	18,176,982	(257,293)	17,919,689
26	331200	TD Mains 6in to 8in	1,063,570	-	(8,136)	1,063,570	(8,136)	1,055,434
27	331300	TD Mains 10in to 16in	2,257,242	-	(17,268)	2,257,242	(17,268)	2,239,974
28	333000	Services	382,603	-	(23,926)	1,156,048	(47,833)	1,108,215
30	334100	Meters	96,647	-	(11,535)	507,905	(22,986)	484,918
31	334200	Meter Installations	27,848	-	(349)	27,848	(349)	27,499
32	335000	Hydrants	382,114	-	(16,195)	1,000,807	(32,042)	968,765
33	303600	Land & Land Rights AG	-	-	-	-	-	-
36	304510	Struct & Imp AG Cap Lease	-	-	-	-	-	-
37	304600	Struct & Imp Offices	-	-	(1,860)	110,668	(13,682)	96,986
38	304620	Struct & Imp Leasehold	-	-	-	-	-	-
39	304700	Struct & Imp Store,Shop,Gar	-	-	-	-	-	-
40	340100	Office Furniture & Equip	-	-	(1,776)	39,073	(15,308)	23,765
41	340200	Comp & Periph Equip	-	-	-	-	-	-
42	340300	Computer Software	-	-	-	-	16,665	16,665
43	340330	Comp Software Other	-	-	-	-	-	-
44	341100	Trans Equip Lt Duty Trks	17,878	-	(29,635)	127,478	(66,518)	60,960
45	341200	Trans Equip Hvy Duty Trks	-	-	-	-	-	-
46	341400	Trans Equip Other	9,294	-	(1,162)	9,294	(1,162)	8,132
47	342000	Stores Equipment	-	-	-	-	(273)	(273)
48	343000	Tools,Shop,Garage Equip	-	-	(167)	4,046	(837)	3,209
49	344000	Laboratory Equipment	2,050	-	(940)	26,363	(2,195)	24,168
50	345000	Power Operated Equipment	1,738	-	(287)	6,457	(1,824)	4,633
51	346100	Comm Equip Non-Telephone	-	-	-	-	(11,659)	(11,659)
52	346200	Comm Equip Telephone	22,846	-	(1,174)	22,846	(1,174)	21,672
53	346300	Comm Equip Other	-	-	(867)	8,440	(867)	7,573
54	347000	Misc Equipment	-	-	-	-	(4,696)	(4,696)
55	SUB-TOTAL		\$ 12,344,378	\$ (229,100)	\$ (1,147,795)	\$ 53,423,195	\$ (3,460,299)	\$ 49,962,896
CORPORATE AND CENTRAL ALLOCATED PLANT								
56	303600	Land & Land Rights AG	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
57	304510	Struct & Imp AG Cap Lease	8,328	-	(70)	8,328	(70)	8,258
58	304600	Struct & Imp Offices	-	-	-	-	-	-
59	304620	Struct & Imp Leasehold	-	-	-	-	-	-
60	340100	Office Furniture & Equip	37,364	-	(849)	37,364	(849)	36,515
61	340200	Comp & Periph Equip	204	-	(5)	204	(5)	200
62	340300	Computer Software	68	-	(2)	68	(2)	66
63	340330	Comp Software Other	-	-	-	-	-	-
64	341100	Trans Equip Lt Duty Trks	-	-	-	-	-	-
65	342000	Stores Equipment	-	-	-	-	-	-
66	343000	Tools,Shop,Garage Equip	-	-	-	-	-	-
67	344000	Laboratory Equipment	-	-	-	-	-	-
68	345000	Power Operated Equipment	-	-	-	-	-	-
69	346100	Comm Equip Non-Telephone	11,323	-	(582)	11,323	(582)	10,741
70	346300	Comm Equip Other	234	-	(12)	234	(12)	222
71	347000	Misc Equipment	-	-	-	-	-	-
72	SUB-TOTAL		\$ 57,521	\$ -	\$ (1,519)	\$ 57,521	\$ (1,519)	\$ 56,001
73	TOTAL		\$ 12,401,899	\$ (229,100)	\$ (1,149,314)	\$ 53,480,716	\$ (3,461,818)	\$ 50,018,898
74								
75								

References:

- Columns (A) (B): Company Schedules B-2, Page 4a Thru B-2, Page 4f
- Column (C): [(Col. (A) + Col. (B)) X RLM-3, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-3, Page 1, Col. (F) X RLM-3, Page 1, Col. (A)]
- Column (D): Schedule RLM-3, Page 1, Column (F) + Column (A) + Column (B)
- Column (E): Schedule RLM-3, Page 1, Column (G) + Column (B) + Column (C)
- Column (F): Column (D) - Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2003

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A)	(B)	(C)	(D)	(E)	(F)
			PLANT ADDITIONS	PLANT RETIREMENTS	RUCO CALCULATED ANNUAL DEP.	TOTAL PLANT VALUE	ACCUMULATED DEPRECIATION	NET PLANT VALUE
1	301000	Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302000	Franchises	-	-	-	4,719,239	-	4,719,239
5	303200	Land & Ld Rights SS	1,747,727	-	-	1,752,727	-	1,752,727
6	304100	Struct & Imp SS	3,263,624	-	(79,648)	4,817,726	(107,316)	4,710,410
7	305000	Collect & Impounding	-	-	(9,274)	370,979	(34,876)	336,103
8	306000	Lake, River & Other Intakes	-	-	(9,874)	394,971	(46,032)	348,939
9	307000	Wells & Springs	-	-	(11,630)	461,497	(45,911)	415,586
10	303300	Land & Ld Rights P	-	-	-	20,000	-	20,000
11	304200	Struct & Imp P	-	-	(34,534)	2,067,878	(158,876)	1,909,002
12	311200	Pump Equip Electric	960,732	(14,000)	(509,914)	12,009,873	(1,985,219)	10,024,654
14	311500	Pump Equip Other	-	-	(65)	1,476	(228)	1,248
16	303500	Land & Ld Rights TD	-	-	-	-	-	-
18	304300	Struct & Imp WT	4,698	-	(12,592)	756,388	(34,566)	721,822
19	320100	WT Equip Non-Media	4,115,359	(6,000)	(271,703)	8,847,268	(942,610)	7,904,658
20	304400	Struct & Imp TD	-	-	(312)	18,469	(929)	17,540
23	330000	Dist Reservoirs & Standpipe	(1,237)	-	(45,276)	2,710,540	(165,861)	2,544,679
24	331001	TD Mains Not Classified by	-	-	-	-	(453,261)	(453,261)
25	331100	TD Mains 4in & Less	408,713	-	(281,234)	18,585,695	(538,527)	18,047,168
26	331200	TD Mains 6in to 8in	2,306,214	-	(33,915)	3,369,784	(42,051)	3,327,733
27	331300	TD Mains 10in to 16in	1,233,902	-	(43,975)	3,491,144	(61,243)	3,429,901
28	333000	Services	338,127	-	(32,863)	1,494,175	(80,696)	1,413,479
30	334100	Meters	116,322	-	(14,208)	624,227	(37,194)	587,032
31	334200	Meter Installations	68,200	-	(1,555)	96,048	(1,904)	94,144
32	335000	Hydrants	337,898	-	(23,395)	1,338,705	(55,437)	1,283,268
33	303600	Land & Land Rights AG	-	-	-	-	-	-
36	304510	Struct & Imp AG Cap Lease	-	-	-	-	-	-
37	304600	Struct & Imp Offices	-	-	(1,860)	110,668	(15,542)	95,126
38	304620	Struct & Imp Leasehold	-	-	-	-	-	-
39	304700	Struct & Imp Store,Shop,Gar	-	-	-	-	-	-
40	340100	Office Furniture & Equip	40,503	-	(2,696)	79,576	(18,005)	61,571
41	340200	Comp & Periph Equip	1,104	-	(25)	1,104	(25)	1,079
42	340300	Computer Software	-	-	-	-	16,665	16,665
43	340330	Comp Software Other	-	-	-	-	-	-
44	341100	Trans Equip Lt Duty Trks	-	(26,362)	(28,574)	101,116	(121,454)	(20,338)
45	341200	Trans Equip Hvy Duty Trks	-	-	-	-	-	-
46	341400	Trans Equip Other	-	-	(2,324)	9,294	(3,485)	5,809
47	342000	Stores Equipment	-	-	-	-	(273)	(273)
48	343000	Tools,Shop,Garage Equip	8,604	-	(345)	12,650	(1,182)	11,468
49	344000	Laboratory Equipment	92,424	-	(2,693)	118,787	(4,887)	113,900
50	345000	Power Operated Equipment	-	-	(332)	6,457	(2,156)	4,301
51	346100	Comm Equip Non-Telephone	-	-	-	-	(11,659)	(11,659)
52	346200	Comm Equip Telephone	-	-	(2,348)	22,846	(3,522)	19,324
53	346300	Comm Equip Other	-	-	(867)	8,440	(1,735)	6,705
54	347000	Misc Equipment	-	-	-	-	(4,696)	(4,696)
55	SUB-TOTAL		\$ 15,042,914	\$ (46,362)	\$ (1,458,034)	\$ 68,419,747	\$ (4,964,694)	\$ 63,455,053
CORPORATE AND CENTRAL ALLOCATED PLANT								
56	303600	Land & Land Rights AG	-	\$ -	\$ -	\$ -	\$ -	\$ -
57	304510	Struct & Imp AG Cap Lease	6,690	-	(196)	15,018	(266)	14,752
58	304600	Struct & Imp Offices	100	-	(1)	100	(1)	99
59	304620	Struct & Imp Leasehold	-	-	-	-	-	-
60	340100	Office Furniture & Equip	26,529	-	(2,301)	63,893	(3,150)	60,743
61	340200	Comp & Periph Equip	145	-	(13)	349	(17)	332
62	340300	Computer Software	40,479	-	(923)	40,547	(925)	39,622
63	340330	Comp Software Other	-	-	-	-	-	-
64	341100	Trans Equip Lt Duty Trks	-	-	-	-	-	-
65	342000	Stores Equipment	-	-	-	-	-	-
66	343000	Tools,Shop,Garage Equip	-	-	-	-	-	-
67	344000	Laboratory Equipment	-	-	-	-	-	-
68	345000	Power Operated Equipment	-	-	-	-	-	-
69	346100	Comm Equip Non-Telephone	8,014	-	(1,576)	19,337	(2,157)	17,179
70	346300	Comm Equip Other	166	-	(33)	400	(45)	356
71	347000	Misc Equipment	-	-	-	-	-	-
72	SUB-TOTAL		\$ 82,123	\$ -	\$ (5,042)	\$ 139,643	\$ (6,561)	\$ 133,082
73	TOTAL		\$ 15,125,037	\$ (46,362)	\$ (1,463,076)	\$ 68,559,390	\$ (4,971,255)	\$ 63,588,135
74								
75								

References:

Columns (A) (B): Company Schedules B-2, Page 4a Thru B-2, Page 4f
Column (C): [(Col. (A) + Col. (B)) X RLM-3, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-3, Page 2, Col. (D) X RLM-3, Page 1, Col. (A)]
Column (D): Schedule RLM-3, Page 1, Column (F) + Column (A) + Column (B)
Column (E): Schedule RLM-3, Page 1, Column (G) + Column (B) + Column (C)
Column (F): Column (D) - Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2004

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A)	(B)	(C)	(D)	(E)	(F)
			PLANT ADDITIONS	PLANT RETIREMENTS	RUCO CALCULATED ANNUAL DEP.	TOTAL PLANT VALUE	ACCUMULATED DEPRECIATION	NET PLANT VALUE
1	301000	Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302000	Franchises	-	-	-	4,719,239	-	4,719,239
5	303200	Land & Ld Rights SS	1,030,149	-	-	2,782,876	-	2,782,876
6	304100	Struct & Imp SS	(51,548)	-	(119,799)	4,766,178	(227,115)	4,539,063
7	305000	Collect & Impounding	-	-	(9,274)	370,979	(44,150)	326,829
8	306000	Lake, River & Other Intakes	-	-	(9,874)	394,971	(55,907)	339,065
9	307000	Wells & Springs	-	-	(11,630)	461,497	(57,541)	403,956
10	303300	Land & Ld Rights P	-	-	-	20,000	-	20,000
11	304200	Struct & Imp P	-	-	(34,534)	2,067,878	(193,410)	1,874,468
12	311200	Pump Equip Electric	(4,450)	-	(530,738)	12,005,423	(2,515,957)	9,489,466
14	311500	Pump Equip Other	3,345	-	(139)	4,821	(367)	4,454
16	303500	Land & Ld Rights TD	-	-	-	-	-	-
18	304300	Struct & Imp WT	(433)	-	(12,628)	755,955	(47,194)	708,761
19	320100	WT Equip Non-Media	14,312	-	(354,177)	8,861,580	(1,296,787)	7,564,793
20	304400	Struct & Imp TD	-	-	(312)	18,469	(1,241)	17,228
23	330000	Dist Reservoirs & Standpipe	-	-	(45,266)	2,710,540	(211,127)	2,499,413
24	331001	TD Mains Not Classified by	-	-	-	-	(453,261)	(453,261)
25	331100	TD Mains 4in & Less	7,887	-	(284,421)	18,593,582	(822,949)	17,770,633
26	331200	TD Mains 6in to 8in	892,619	-	(58,386)	4,262,403	(100,438)	4,161,965
27	331300	TD Mains 10in to 16in	368,879	-	(56,236)	3,860,023	(117,479)	3,742,544
28	333000	Services	44,171	-	(37,603)	1,538,346	(118,299)	1,420,047
30	334100	Meters	41,572	(291)	(16,186)	665,508	(53,671)	611,836
31	334200	Meter Installations	99,617	-	(3,661)	195,665	(5,565)	190,100
32	335000	Hydrants	124,144	-	(28,016)	1,462,849	(83,453)	1,379,396
33	303600	Land & Land Rights AG	-	-	-	-	-	-
36	304510	Struct & Imp AG Cap Lease	-	-	-	-	-	-
37	304600	Struct & Imp Offices	-	-	(1,860)	110,668	(17,402)	93,266
38	304620	Struct & Imp Leasehold	-	-	-	-	-	-
39	304700	Struct & Imp Store,Shop,Gar	-	-	-	-	-	-
40	340100	Office Furniture & Equip	-	-	(3,617)	79,576	(21,622)	57,954
41	340200	Comp & Periph Equip	-	-	(50)	1,104	(75)	1,029
42	340300	Computer Software	-	-	-	-	16,665	16,665
43	340330	Comp Software Other	-	-	-	-	-	-
44	341100	Trans Equip Lt Duty Trks	-	-	(25,279)	101,116	(146,733)	(45,617)
45	341200	Trans Equip Hvy Duty Trks	60,942	-	(7,618)	60,942	(7,618)	53,324
46	341400	Trans Equip Other	7,992	-	(3,323)	17,286	(6,808)	10,478
47	342000	Stores Equipment	-	-	-	-	(273)	(273)
48	343000	Tools,Shop,Garage Equip	2,295	-	(571)	14,945	(1,753)	13,192
49	344000	Laboratory Equipment	-	-	(4,407)	118,787	(9,294)	109,493
50	345000	Power Operated Equipment	-	-	(332)	6,457	(2,489)	3,968
51	346100	Comm Equip Non-Telephone	-	-	-	-	(11,659)	(11,659)
52	346200	Comm Equip Telephone	-	-	(2,348)	22,846	(5,870)	16,976
53	346300	Comm Equip Other	-	-	(867)	8,440	(2,602)	5,838
54	347000	Misc Equipment	-	-	-	-	(4,696)	(4,696)
55	SUB-TOTAL		\$ 2,641,493	\$ (291)	\$ (1,663,153)	\$ 71,060,949	\$ (6,628,138)	\$ 64,432,811
CORPORATE AND CENTRAL ALLOCATED PLANT								
56	303600	Land & Land Rights AG	-	\$ -	\$ -	\$ -	\$ -	\$ -
57	304510	Struct & Imp AG Cap Lease	94	-	(253)	15,111	(519)	14,592
58	304600	Struct & Imp Offices	(100)	-	(1)	0	(2)	(1)
59	304620	Struct & Imp Leasehold	-	-	-	-	-	-
60	340100	Office Furniture & Equip	371	-	(2,913)	64,264	(6,063)	58,201
61	340200	Comp & Periph Equip	1,493	-	(50)	1,842	(67)	1,775
62	340300	Computer Software	715	-	(1,859)	41,262	(2,784)	38,478
63	340330	Comp Software Other	-	-	-	-	-	-
64	341100	Trans Equip Lt Duty Trks	14,816	-	(1,852)	14,816	(1,852)	12,964
65	342000	Stores Equipment	-	-	-	-	-	-
66	343000	Tools,Shop,Garage Equip	761	-	(16)	761	(16)	746
67	344000	Laboratory Equipment	-	-	-	-	-	-
68	345000	Power Operated Equipment	-	-	-	-	-	-
69	346100	Comm Equip Non-Telephone	112	-	(1,993)	19,449	(4,150)	15,298
70	346300	Comm Equip Other	2	-	(41)	403	(86)	317
71	347000	Misc Equipment	-	-	-	-	-	-
72	SUB-TOTAL		\$ 18,264	\$ -	\$ (8,978)	\$ 157,908	\$ (15,539)	\$ 142,369
73	TOTAL		\$ 2,659,757	\$ (291)	\$ (1,672,130)	\$ 71,218,857	\$ (6,643,677)	\$ 64,575,180
74								
75								

References:

- Columns (A) (B): Company Schedules B-2, Page 4a Thru B-2, Page 4f
- Column (C): [(Col. (A) + Col. (B)) X RLM-3, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-3, Page 3, Col. (D) X RLM-3, Page 1, Col. (A)]
- Column (D): Schedule RLM-3, Page 1, Column (F) + Column (A) + Column (B)
- Column (E): Schedule RLM-3, Page 1, Column (G) + Column (B) + Column (C)
- Column (F): Column (D) - Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2005

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A)	(B)	(C)	(D)	(E)	(F)
			PLANT ADDITIONS	PLANT RETIREMENTS	RUCO CALCULATED ANNUAL DEP.	TOTAL PLANT VALUE	ACCUMULATED DEPRECIATION	NET PLANT VALUE
1	301000	Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302000	Franchises	-	-	-	4,719,239	-	4,719,239
5	303200	Land & Ld Rights SS	1,070,114	-	-	3,852,990	-	3,852,990
6	304100	Struct & Imp SS	6,873	-	(119,240)	4,773,051	(346,355)	4,426,696
7	305000	Collect & Impounding	-	-	(9,274)	370,979	(53,424)	317,554
8	306000	Lake, River & Other Intakes	-	-	(9,874)	394,971	(65,781)	329,191
9	307000	Wells & Springs	-	-	(11,630)	461,497	(69,171)	392,326
10	303300	Land & Ld Rights P	-	-	-	20,000	-	20,000
11	304200	Struct & Imp P	683,916	-	(40,244)	2,751,794	(233,654)	2,518,140
12	311200	Pump Equip Electric	76,632	-	(532,333)	12,082,055	(3,048,290)	9,033,765
14	311500	Pump Equip Other	-	-	(213)	4,821	(580)	4,241
16	303500	Land & Ld Rights TD	-	-	-	-	-	-
18	304300	Struct & Imp WT	118,949	-	(13,618)	874,904	(60,812)	814,092
19	320100	WT Equip Non-Media	62,269	-	(355,709)	8,923,849	(1,652,495)	7,271,354
20	304400	Struct & Imp TD	-	-	(312)	18,469	(1,554)	16,916
23	330000	Dist Reservoirs & Standpipe	1,488,342	-	(57,694)	4,198,882	(268,820)	3,930,062
24	331001	TD Mains Not Classified by	-	-	-	-	(453,261)	(453,261)
25	331100	TD Mains 4in & Less	160,212	-	(285,707)	18,753,794	(1,108,656)	17,645,138
26	331200	TD Mains 6in to 8in	1,709,872	-	(78,295)	5,972,275	(178,733)	5,793,542
27	331300	TD Mains 10in to 16in	(9,672)	-	(58,984)	3,850,351	(176,464)	3,673,887
28	333000	Services	189,746	-	(40,504)	1,728,092	(158,803)	1,569,289
30	334100	Meters	66,840	(1,976)	(17,518)	730,372	(73,166)	657,206
31	334200	Meter Installations	40,009	-	(5,413)	235,674	(10,979)	224,695
32	335000	Hydrants	207,528	-	(31,332)	1,670,377	(114,785)	1,555,592
33	303600	Land & Land Rights AG	-	-	-	-	-	-
36	304510	Struct & Imp AG Cap Lease	-	-	-	-	-	-
37	304600	Struct & Imp Offices	-	-	(1,860)	110,668	(19,262)	91,406
38	304620	Struct & Imp Leasehold	-	-	-	-	-	-
39	304700	Struct & Imp Store,Shop,Gar	-	-	-	-	-	-
40	340100	Office Furniture & Equip	81,055	-	(5,459)	160,631	(27,081)	133,550
41	340200	Comp & Periph Equip	1,744	-	(90)	2,848	(165)	2,683
42	340300	Computer Software	-	-	-	-	16,665	16,665
43	340330	Comp Software Other	-	-	-	-	-	-
44	341100	Trans Equip Lt Duty Trks	7,384	-	(26,202)	108,500	(172,935)	(64,435)
45	341200	Trans Equip Hvy Duty Trks	(731)	-	(15,144)	60,211	(22,762)	37,449
46	341400	Trans Equip Other	-	-	(4,322)	17,286	(11,129)	6,157
47	342000	Stores Equipment	-	-	-	-	(273)	(273)
48	343000	Tools,Shop,Garage Equip	-	-	(618)	14,945	(2,371)	12,574
49	344000	Laboratory Equipment	-	-	(4,407)	118,787	(13,701)	105,086
50	345000	Power Operated Equipment	-	-	(332)	6,457	(2,821)	3,636
51	346100	Comm Equip Non-Telephone	115,010	-	(5,910)	115,010	(17,569)	97,441
52	346200	Comm Equip Telephone	-	-	(2,348)	22,846	(8,218)	14,628
53	346300	Comm Equip Other	-	-	(867)	8,440	(3,470)	4,970
54	347000	Misc Equipment	-	-	-	-	(4,696)	(4,696)
55	SUB-TOTAL		\$ 6,076,092	\$ (1,976)	\$ (1,735,455)	\$ 77,135,065	\$ (8,365,569)	\$ 68,769,495
CORPORATE AND CENTRAL ALLOCATED PLANT								
56	303600	Land & Land Rights AG	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
57	304510	Struct & Imp AG Cap Lease	(6,784)	-	(197)	8,328	(716)	7,611
58	304600	Struct & Imp Offices	996	-	(8)	996	(10)	986
59	304620	Struct & Imp Leasehold	6,887	-	(58)	6,887	(58)	6,829
60	340100	Office Furniture & Equip	10,307	-	(3,155)	74,570	(9,218)	65,352
61	340200	Comp & Periph Equip	6,258	-	(226)	8,100	(293)	7,807
62	340300	Computer Software	18,061	-	(2,286)	59,323	(5,070)	54,253
63	340330	Comp Software Other	1,282	-	(29)	1,282	(29)	1,253
64	341100	Trans Equip Lt Duty Trks	9,267	-	(4,862)	24,083	(6,714)	17,369
65	342000	Stores Equipment	-	-	-	-	-	-
66	343000	Tools,Shop,Garage Equip	2,621	-	(86)	3,383	(101)	3,281
67	344000	Laboratory Equipment	-	-	-	-	-	-
68	345000	Power Operated Equipment	-	-	-	-	-	-
69	346100	Comm Equip Non-Telephone	(2,037)	-	(1,894)	17,412	(6,045)	11,367
70	346300	Comm Equip Other	(232)	-	(29)	171	(115)	55
71	347000	Misc Equipment	-	-	-	-	-	-
72	SUB-TOTAL		\$ 46,626	\$ -	\$ (12,831)	\$ 204,533	\$ (28,370)	\$ 176,164
73	TOTAL		\$ 6,122,718	\$ (1,976)	\$ (1,748,286)	\$ 77,339,598	\$ (8,393,939)	\$ 68,945,659
74	Company As Filed					79,586,201	(7,317,529)	
76	RUCO Adjustment No. 1 - Adjustment To Prior Test-Year Gross Plant In Service (see RLM-3, Page 1)					(213,898)		
75	RUCO ADJUSTMENT TO GROSS PLANT IN SERVICE (See RLM-2, Column (C))					<u>(2,032,704)</u>		
78	RUCO Adjustment No. 1 - Adjustment To Prior Test-Year Accumulated Depreciation (see RLM-3, Page 1)						3,087	
79	RUCO ADJUSTMENT TO ACCUMULATED DEPRECIATION (See RLM-2, Column (C))						<u>(1,079,497)</u>	

References:

- Columns (A) (B): Company Schedules B-2, Page 4a Thru B-2, Page 4f
- Column (C): [(Col. (A) + Col. (B)) X RLM-3, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-3, Page 4, Col. (D) X RLM-3, Page 1, Col. (A)]
- Column (D): Schedule RLM-3, Page 1, Column (F) + Column (A) + Column (B)
- Column (E): Schedule RLM-3, Page 1, Column (G) + Column (B) + Column (C)
- Column (F): Column (D) - Column (E)

**EXPLANATION OF RATE BASE ADJUSTMENT NO. 4
CALCULATION OF IMPUTED REGULATORY AIAC AND CIAC**

LINE NO.	DESCRIPTION	(A) RUCO AS ADJUSTED	(B)	(C) COMPANY AS FILED	(D) RUCO ADJUSTM'T
NOTE					
The Company Started Amortizing The AIAC & CIAC Imputed Balances On January 1, 2001 Rather Than The Date Stipulated In The Citizens' Acquisition Agreement Of January 15, 2002. The Corrected AIAC & CIAC Imputed Balances For Actual End Of Test Year December 31, 2005 Are As Follows:					
AIAC					
1	Beginning Balances On January 15, 2002	\$ 29,093,642			
2	Authorized Amortization Period Of 6.5 Years Equals -15.38%				
3	Amount Amortized For Jan. 15 Thru Dec. 31, 2002	\$ (4,292,002)			
4	Amount Amortized For Jan. 1 Thru Dec. 31, 2003	(4,475,945)			
5	Amount Amortized For Jan. 1 Thru Dec. 31, 2004	(4,475,945)			
6	Amount Amortized For Jan. 1 Thru Dec. 31, 2005	<u>(4,475,945)</u>			
7	Total Amortization Thru December 31, 2004	\$(17,719,837)			
8	TOTAL NET TEST-YEAR AIAC		\$ 11,373,805	\$ 4,475,945	\$ 6,897,860
9	RUCO ADJUSTMENT TO IMPUTED REGULATORY AIAC				<u>\$ 6,897,860</u>
CIAC					
10	Beginning Balances On January 15, 2002	\$ 1,075,425			
11	Authorized Amortization Period Of 10 Years Equals -10.00%				
12	Amount Amortized For Jan. 15 Thru Dec. 31, 2002	\$ (103,123)			
13	Amount Amortized For Jan. 1 Thru Dec. 31, 2003	(107,543)			
14	Amount Amortized For Jan. 1 Thru Dec. 31, 2004	(107,543)			
15	Amount Amortized For Jan. 1 Thru Dec. 31, 2005	<u>(107,543)</u>			
16	Total Amortization Thru December 31, 2004	\$ (425,750)			
17	TOTAL NET TEST-YEAR CIAC		\$ 649,675	\$ 483,942	\$ 165,733
18	RUCO ADJUSTMENT TO IMPUTED REGULATORY CIAC				<u>\$ 165,733</u>

**EXPLANATION OF RATE BASE ADJUSTMENT NO. 5
ALLOWANCE FOR WORKING CAPITAL**

LINE NO.	DESCRIPTION	(A) AMOUNT	(B) REFERENCE
1	Materials And Supplies As Per Company	\$ 20,581	Company Schedule B-5, PG. 1
2	Materials And Supplies As Per RUCO	20,581	Company Schedule B-5, PG. 1
3	Adjustment	\$ -	Line 2 - Line 1
4	Prepayment As Per Company	\$ 40,293	Company Schedule B-5, PG. 1
5	Prepayment As Per RUCO	40,293	Company Schedule B-5, PG. 1
6	Adjustment	\$ -	Line 5 - Line 4
7	Cash Working Capital As Per Company	\$ -	Company Schedule B-5, PG. 1
8	Cash Working Capital As Per RUCO	(219,822)	RUCO Schedule RLM-5, Page 2
9	Adjustment	\$ (219,822)	Line 8 - Line 7
10	TOTAL ADJUSTMENT (See RLM-2, Column (G))	\$ (219,822)	Sum Lines 3, 6 & 9

**EXPLANATION OF RATE BASE ADJUSTMENT NO. 5 - CONT'D
LEAD/LAG DAY SUMMARY**

LINE NO.	DESCRIPTION	(A) COMPANY EXPENSES AS FILED	(B) RUCO ADJUSTM'TS	(C) RUCO EXPENSES AS ADJUSTED	(D) (LEAD)/LAG DAYS	(E) DOLLAR DAYS
	Appropriate Operating Expenses:					
1	Labor	\$ 574,132	\$ (59,306)	\$ 514,826	12.00	\$ 6,177,910
2	Purchased Water	649,372	-	649,372	86.67	56,281,071
3	Fuel & Power	845,394	-	845,394	32.42	27,407,673
4	Chemicals	56,331	-	56,331	28.47	1,603,744
5	Waste Disposal	-	-	-	30.00	-
6	Management Fees	1,036,634	-	1,036,634	(3.88)	(4,022,140)
7	Group Insurance	94,402	(1,643)	92,759	(4.64)	(430,400)
8	Pensions	35,066	-	35,066	45.00	1,577,970
9	Insurance Other Than Group	116,992	-	116,992	45.00	5,264,640
10	Customer Accounting	123,069	-	123,069	7.46	918,095
11	Rents	15,455	-	15,455	(10.68)	(165,059)
12	Other Operating Expenses	571,394	(79,768)	491,626	30.00	14,748,788
13	Taxes Other Than Income	60,463	(18,830)	41,633	15.65	651,556
14	Property Taxes	330,552	(3,980)	326,572	212.50	69,396,521
15	Income Tax	(482,044)	1,298,190	816,146	42.04	34,310,777
16	Interest	-	1,018,274	1,018,274	106.52	108,466,518
17	Total Appropriate Operating Expenses	<u>\$ 4,027,212</u>	<u>\$ (60,949)</u>	<u>\$ 6,180,148</u>		<u>\$ 322,187,664</u>
18	Expense Lag	Line 17, Col. (E) / (C)	52.13			
19	Revenue Lag	Company Workpapers	<u>39.15</u>			
20	Net Lag	Line 19 - Line 18	(12.98)			
21	RUCO Adjusted Expenses	Col. (C), Line 17	<u>\$ 6,180,148</u>			
22	Cash Working Capital	Line 20 X Line 21 / 365 Days	<u>(219,822)</u>			
23	Company As Filed	Co. Schedule B-5, Page 1	-			
24	Difference	Line 22 - Line 23	<u>\$ (219,822)</u>			
25	ADJUSTMENT (See RLM-5, Page 1, L 1)	Line 24	<u>\$ (219,822)</u>			

References:

- Column (A): - Company Schedule C-1, Revised
- Column (B): RUCO Operating Income Adjustments (See Schedule RLM-7)
- Column (C): Column (A) + (B)
- Column (D): RUCO Post-Hearing Position Filed In Arizona-American Mohave Water District As Per Schedule TJC-5, Page 2 Column (B)
- Column (E): Column (C) X Column (D)

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJMT'S	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
Revenues:						
1	Metered Water Revenues	\$ 4,878,311	\$ -	\$ 4,878,311	\$ 2,395,426	\$ 7,273,737
2	Unmetered Water Revenues	63,022	-	63,022	-	63,022
3	Other Water Revenues	1,926,437	-	1,926,437	-	1,926,437
4	TOTAL OPERATING REVENUE	\$ 6,867,770	\$ -	\$ 6,867,770	\$ 2,395,426	\$ 9,263,196
Operating Expenses:						
5	Labor	\$ 574,132	\$ (59,306)	\$ 514,826	\$ -	\$ 514,826
6	Purchased Water	649,372	-	649,372	-	649,372
7	Fuel & Power	845,394	-	845,394	-	845,394
8	Chemicals	56,331	-	56,331	-	56,331
9	Waste Disposal	-	-	-	-	-
10	Management Fees	1,036,634	-	1,036,634	-	1,036,634
11	Group Insurance	94,402	(1,643)	92,759	-	92,759
12	Pensions	35,066	-	35,066	-	35,066
13	Regulatory Expense	50,000	(19,340)	30,660	-	30,660
14	Insurance Other Than Group	116,992	-	116,992	-	116,992
15	Customer Accounting	123,069	-	123,069	-	123,069
16	Rents	15,455	-	15,455	-	15,455
17	General Office Expense	78,439	-	78,439	-	78,439
18	Miscellaneous	307,456	(87,268)	220,188	-	220,188
19	Other Maintenance	185,499	-	185,499	-	185,499
20	Depreciation & Amortization	1,992,814	(231,210)	1,761,604	-	1,761,604
21	Taxes Other Than Income	60,463	(18,830)	41,633	-	41,633
22	Property Taxes	330,552	(3,980)	326,572	-	326,572
23	Income Tax	(482,044)	373,583	(108,461)	924,607	816,146
24	Rounding	2	-	-	-	-
25	TOTAL OPERATING EXPENSES	\$ 6,070,028	\$ (47,995)	\$ 6,022,031	\$ 924,607	\$ 6,946,639
26	OPERATING INCOME (LOSS)	\$ 797,742		\$ 845,739		\$ 2,316,557

References:

- Column (A): Company Schedule C-1
- Column (B): RLM-7, Columns (B) Thru (J)
- Column (C): Column (A) + Column (B)
- Column (D): RLM-1, Pages 1 & 2
- Column (E): Column (C) + Column (D)

**SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ #1	(C) ADJ #2	(D) ADJ #3	(E) ADJ #4	(F) ADJ #5	(G) ADJ #6	(H) ADJ #7	(I) ADJ #8	(J) ADJ #9	(K) RUCO AS ADJT'D
Revenues:												
1	Metered Water Revenues	\$ 4,878,311	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,878,311
2	Unmetered Water Revenues	63,022	-	-	-	-	-	-	-	-	-	63,022
3	Other Water Revenues	1,926,437	-	-	-	-	-	-	-	-	-	1,926,437
4	TOTAL OPERATING REV.	<u>\$ 6,867,770</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,867,770</u>
Operating Expenses:												
5	Labor	\$ 574,132	\$ -	\$ -	\$ -	\$ (47,931)	\$ (11,375)	\$ -	\$ -	\$ -	\$ -	\$ 514,826
6	Purchased Water	649,372	-	-	-	-	-	-	-	-	-	649,372
7	Fuel & Power	845,394	-	-	-	-	-	-	-	-	-	845,394
8	Chemicals	56,331	-	-	-	-	-	-	-	-	-	56,331
9	Waste Disposal	-	-	-	-	-	-	-	-	-	-	-
10	Management Fees	1,036,634	-	-	-	-	-	-	-	-	-	1,036,634
11	Group Insurance	94,402	-	-	-	(512)	(1,132)	-	-	-	-	92,759
12	Pensions	35,066	-	-	-	-	-	-	-	-	-	35,066
13	Regulatory Expense	50,000	-	-	(19,340)	-	-	-	-	-	-	30,660
14	Insurance Other Than Group	116,992	-	-	-	-	-	-	-	-	-	116,992
15	Customer Accounting	123,069	-	-	-	-	-	-	-	-	-	123,069
16	Rents	15,455	-	-	-	-	-	-	-	-	-	15,455
17	General Office Expense	78,439	-	-	-	-	-	-	-	-	-	78,439
18	Miscellaneous	307,456	-	-	-	(1,401)	(33)	(78,333)	(7,500)	-	-	220,188
19	Other Maintenance	185,499	-	-	-	-	-	-	-	-	-	185,499
20	Depreciation & Amortization	1,992,814	-	(231,210)	-	-	-	-	-	-	-	1,761,604
21	Taxes Other Than Income	60,463	-	-	-	(17,974)	(856)	-	-	-	-	41,633
22	Property Taxes	330,552	(3,980)	-	-	-	-	-	-	-	-	326,572
23	Income Tax	(482,044)	-	-	-	-	-	-	-	-	373,583	(108,461)
24	Rounding	2	-	-	-	-	-	-	-	-	-	-
25	TOTAL OPERATING EXP.	<u>\$ 6,070,028</u>	<u>\$ (3,980)</u>	<u>\$ (231,210)</u>	<u>\$ (19,340)</u>	<u>\$ (67,818)</u>	<u>\$ (13,396)</u>	<u>\$ (78,333)</u>	<u>\$ (7,500)</u>	<u>\$ -</u>	<u>\$ 373,583</u>	<u>\$ 6,022,031</u>
26	OPERATING INC. (LOSS)	<u>\$ 797,742</u>										<u>\$ 845,739</u>

ADJUSTMENTS:

- 1 - Property Tax Computation
- 2 - Test-Year Depreciation Expense
- 3 - Rate Case Expense
- 4 - Normalize Direct Payroll & Payroll Benefits
- 5 - Normalize Corporate Payroll & Payroll Benefits
- 6 - Remove Inappropriate Miscellaneous Expenses
- 7 - Remove Pro Froma Bugdeted Expenses For Conservation
- 8 - Intentionally Left Blank
- 9 - Income Tax

REFERENCE:

- Testimony, RLM And Schedule RLM-8
- Testimony, RLM And Schedule RLM-9
- Testimony, RLM And Schedule RLM-10
- Testimony, RLM And Schedule RLM-11
- Testimony, RLM And Schedule RLM-11
- Testimony, RLM And Schedule RLM-12
- Testimony, RLM
- Testimony, RLM And Schedule RLM-13

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 1
PROPERTY TAX COMPUTATION**

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
Calculation Of The Company's Full Cash Value:				
Annual Operating Revenues:				
1	Year 2003	Co. Sch. E-2	\$ 7,402,942	
2	Year 2004	Co. Sch. E-2	7,193,398	
3	Year 2005	Co. Sch. E-2	6,116,713	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	\$ 20,713,053	
5	Average Annual Operating Revenues	Line 4 / 3	6,904,351	
6	Two Times Three Year Average Operating Revenues	Line 5 X 2		\$ 13,808,702
ADD:				
10% Of Construction Work In Progress ("CWIP"):				
7	Test Year CWIP	Co. Sch. E-1, Page 2	\$ 1,804,451	
8	10% Of CWIP	Line 7 X 10%		\$ 180,445
SUBTRACT:				
Transportation At Book Value:				
9	Original Cost Of Transportation Equipment	RLM-3, P 5, C (D), L's 44, 45 & 46	\$ 185,997	
10	Acc. Dep. Of Transportation Equipment	RLM-3, P 5, C (E), L's 44, 45 & 46	(142,391)	
11	Book Value Of Transportation Equipment	Line 9 + Line 10		\$ (43,606)
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		\$ 13,945,541
Calculation Of The Company's Tax Liability:				
MULTIPLY:				
FCV X Valuation Assessment Ratio X Property Tax Rates:				
13	Assessment Ratio	House Bill 2779	24.0%	
14	Assessed Value	Line 12 X Line 13	\$ 3,346,930	
Property Tax Rates:				
15	Primary Tax Rate - 2005 Tax Notice	Company Workpapers	9.76%	
16	Secondary Tax Rate - 2005 Tax Notice	Company Workpapers	0.00%	
17	Estimated Tax Rate Liability	Line 15 + Line 16	9.76%	
18	Company's Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		\$ 326,572
19	Test Year Adjusted Property Tax Expense As Filing	Co. Sch. C-1, Line 25		330,552
20	Decrease In Property Tax Expense	Line 18 - Line 19		\$ (3,980)
21	RUCO Adjustment (See RLM-6, Column (B))	Line 20		\$ (3,980)

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2
TEST YEAR DEPRECIATION EXPENSE**

LINE NO.	ACCOUNT NO.	ACCOUNT NAME	(A) TOTAL PLANT VALUE	(B) COMPANY PROPOSED DEPRECIATION RATES	(C) TEST YEAR DEPRECIATION EXPENSE
1	301000	Organization	\$ -	0.00%	\$ -
2	302000	Franchises	4,719,239	0.00%	-
5	303200	Land & Ld Rights SS	3,852,990	0.00%	-
6	304100	Struct & Imp SS	4,773,051	2.50%	119,326
7	305000	Collect & Impounding	370,979	1.67%	6,195
8	306000	Lake, River & Other Intakes	394,971	2.50%	9,874
9	307000	Wells & Springs	461,497	2.52%	11,630
11	303300	Land & Ld Rights P	20,000	0.00%	-
12	304200	Struct & Imp P	2,751,794	1.67%	45,955
14	311200	Pump Equip Electric	12,082,055	4.42%	534,027
16	311500	Pump Equip Other	4,821	4.42%	213
18	303500	Land & Ld Rights TD	-	0.00%	-
19	304300	Struct & Imp WT	874,904	1.67%	14,611
20	320100	WT Equip Non-Media	8,923,849	4.00%	356,954
23	304400	Struct & Imp TD	18,469	1.67%	308
24	330000	Dist Reservoirs & Standpipe	4,198,882	1.67%	70,121
25	331001	TD Mains Not Classified by	-	1.53%	-
26	331100	TD Mains 4in & Less	18,753,794	1.53%	286,933
27	331200	TD Mains 6in to 8in	5,972,275	1.53%	91,376
28	331300	TD Mains 10in to 16in	3,850,351	1.53%	58,910
30	333000	Services	1,728,092	2.48%	42,857
31	334100	Meters	730,372	2.51%	18,332
32	334200	Meter Installations	235,674	2.51%	5,915
33	335000	Hydrants	1,670,377	1.99%	33,241
36	303600	Land & Land Rights AG	-	0.00%	-
37	304510	Struct & Imp AG Cap Lease	-	1.68%	-
38	304600	Struct & Imp Offices	110,688	1.67%	1,848
39	304620	Struct & Imp Leasehold	-	1.67%	-
40	304700	Struct & Imp Store,Shop,Gar	-	4.14%	-
41	340100	Office Furniture & Equip	160,631	4.59%	7,373
42	340200	Comp & Periph Equip	2,848	4.59%	131
43	340300	Computer Software	-	0.00%	-
44	340330	Comp Software Other	-	0.00%	-
45	341100	Trans Equip Lt Duty Trks	108,500	25.00%	27,125
46	341200	Trans Equip Hvy Duty Trks	60,211	25.00%	15,053
47	341400	Trans Equip Other	17,286	25.00%	4,322
48	342000	Stores Equipment	-	0.00%	-
49	343000	Tools,Shop,Garage Equip	14,945	1.53%	229
50	344000	Laboratory Equipment	118,787	3.71%	4,407
51	345000	Power Operated Equipment	6,457	1.53%	99
52	346100	Comm Equip Non-Telephone	115,010	9.76%	11,225
53	346200	Comm Equip Telephone	22,846	9.76%	2,230
54	346300	Comm Equip Other	8,440	7.91%	668
55	347000	Misc Equipment	-	0.00%	-
56	SUB-TOTAL		\$ 77,135,065		\$ 1,781,487
CORPORATE AND CENTRAL ALLOCATED PLANT					
57	303600	Land & Land Rights AG	\$ -	0.00%	-
58	304510	Struct & Imp AG Cap Lease	8,328	1.68%	140
59	304600	Struct & Imp Offices	996	4.63%	46
60	304620	Struct & Imp Leasehold	6,887	4.63%	319
61	340100	Office Furniture & Equip	74,570	4.04%	3,013
62	340200	Comp & Periph Equip	8,100	15.89%	1,287
63	340300	Computer Software	59,323	37.71%	22,371
64	340330	Comp Software Other	1,282	37.71%	483
65	341100	Trans Equip Lt Duty Trks	24,083	28.05%	6,755
66	342000	Stores Equipment	-	3.92%	-
67	343000	Tools,Shop,Garage Equip	3,383	3.61%	122
68	344000	Laboratory Equipment	-	3.71%	-
69	345000	Power Operated Equipment	-	5.14%	-
70	346100	Comm Equip Non-Telephone	17,412	9.76%	1,699
71	346300	Comm Equip Other	171	7.91%	14
72	347000	Misc Equipment	-	0.00%	-
77	SUB-TOTAL		\$ 204,533		\$ 36,249
78	TOTAL		\$ 77,339,598		\$ 1,817,736
58	Amortization Of Phoenix Interconnect Regulatory Assets				\$ 54,795
59	Amortization Of Contributions				(3,384)
60	Amortization Of Imputed Regulatory CIAC				(107,543)
61	TOTAL DEPRECIATION EXPENSE				\$ 1,761,604
62	Company As Filed				1,992,814
63	Difference				\$ (231,210)
64	RUCO Adjustment (See RLM-7, Column (C))				\$ (231,210)

References:

Column (A): RLM-3, Page 5, Column (D)
Column (B): RLM-3, Page 1, Column (A)
Column (C): Column (A) X Column (B)

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3
RATE CASE EXPENSE**

LINE NO.	DESCRIPTION	(A) COMPANY ESTIMATE	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Company Labor	\$ 79,162	\$ -	\$ 79,162
2	Rate Design & Cost Of Service	143,000	(100,000)	43,000
3	Historical Infrastructure	30,000	-	30,000
4	Cost Of Capital	30,000	-	30,000
5	Miscellaneous Expenses	1,800	-	1,800
6	Rounding	16,038	(16,038)	-
7	Total (Sum Of Lines 1 Thru 6)	<u>\$ 300,000</u>	<u>\$ (116,038)</u>	<u>\$ 183,962</u>
8	Allocation At 50% (Per Company Adjustment) Anthem Water (Line 7 X 50%)	<u>\$ 150,000</u>	<u>\$ (58,019)</u>	<u>\$ 91,981</u>
9	Amortization Period - 3 Years			3
10	RUCO Test-Year Adjusted Rate Case Expense (Line 8 / 3 Years)			<u>\$ 30,660</u>
11	Company Rate Case Expenses As Filed			\$ 50,000
12	Difference (Line 10 - Line 11)			<u>\$ (19,340)</u>
13	RUCO Adjustment (Line 12) (See RLM-7, Column (D))			<u>\$ (19,340)</u>

References:

- Column (A): Company Schedule C-2, Page 12
- Column (B): Testimony, RLM
- Column (C): Column (A) + Column (B)

**EXPLANATION OF OPERATING INCOME ADJUSTMENTS NO. 4 AND NO. 5
NORMALIZE TEST-YEAR DIRECT PAYROLL AND PAYROLL BENEFITS**

LINE NO.	DESCRIPTION	(A) ANTHEM DIRECT	(B) CORPORATE ALLOCATION
PAYROLL ADJUSTMENT			
1	RUCO Adjusted Anthem Water District Labor Expense	\$ 407,622	\$ 58,027
2	Company Total Normalized Anthem Water District Labor Expense As Filed	455,553	69,402
3	Difference	<u>\$ (47,931)</u>	<u>\$ (11,375)</u>
4	RUCO Payroll Adjustment (See RLM-7, Columns (E) & (F))	<u>\$ (47,931)</u>	<u>\$ (11,375)</u>
401(K) ADJUSTMENT			
5	RUCO Adjusted Anthem Water District 401(K) Expense	\$ 7,902	\$ 1,148
6	Company Total Normalized Anthem Water District 401(K) Expense As Filed	9,303	1,181
7	Difference	<u>\$ (1,401)</u>	<u>\$ (33)</u>
8	RUCO Miscellaneous Adjustment (See RLM-7, Columns (E) & (F))	<u>\$ (1,401)</u>	<u>\$ (33)</u>
GROUP INSURANCE ADJUSTMENT			
9	RUCO Adjusted Anthem Water District Group Insurance Expense	\$ 88,687	\$ 9,024
10	Company Total Normalized Anthem Water District Group Insurance Expense As Filed	89,199	10,156
11	Difference	<u>\$ (512)</u>	<u>\$ (1,132)</u>
12	RUCO Group Insurance Adjustment (See RLM-7, Columns (E) & (F))	<u>\$ (512)</u>	<u>\$ (1,132)</u>
PAYROLL TAXES ADJUSTMENT			
13	RUCO Adjusted Anthem Water District Payroll Taxes Expense	\$ 33,014	\$ 4,589
14	Company Total Normalized Anthem Water District Payroll Taxes Expense As Filed	50,988	5,445
15	Difference	<u>\$ (17,974)</u>	<u>\$ (856)</u>
16	RUCO Taxes Other Than Income Adjustment (See RLM-7, Columns (E) & (F))	<u>\$ (17,974)</u>	<u>\$ (856)</u>

Reference:

Column (A): RUCO Workpapers - "ANTHEM LABOR & 401(K) & PAY TAX" And "ANTHEM DIRECT GROUP INS."
Column (B): RUCO Workpapers - "CORP. LABOR & 401(K) & PAY TAX" And "CORP. GROUP INS."

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6
RUCO ADDITONAL ADJUSTMENTS TO COMPANY'S MISCELLANEOUS EXPENSES**

			(A)
LINE NO.	DESCRIPTION	REFERENCE	AMOUNT
	Miscellaneous Expenses Removed		
1	Anthem Direct	RUCO Workpapers - "Misc. Exp.-Anthem"	\$ (67,455)
2	Corporate	RUCO Workpapers - "Misc. Exp.-Corporate"	(8,010)
3	Central Division	RUCO Workpapers - "Misc. Exp.-Central"	(2,868)
4	Total Miscellaneous Expenses Remove	Sum Of Lines 1 Thru 3	<u>\$ (78,333)</u>
5	RUCO Adjustment (See RLM-7, Column (G))	Line 4	<u>\$ (78,333)</u>

WORKPAPERS
EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6
RUCO ADDITIONAL ADJUSTMENTS TO COMPANY'S MISCELLANEOUS EXPENSES - ANTHEM DIRECT

LINE NO	(A) CATEGORY	(C) AMOUNT	(D)	(E) DESCRIPTION	(F)	(G) RUCO'S CONCERN
1	575000 Misc Oper WT	\$ 4.84	GRAINGER.COM	JAMES A GROOMAN	Luminaires for indoor lightin	IS THIS AN APPROPRIATE EXPENSE
2	620000 M&S Maint WT	61.21	GRAINGER.COM	THOMAS G WINTER	Luminaires for indoor lightin	"
3	620000 M&S Maint WT	11.47	C&I SHOW HRDWRE & SECUR	JOHN M CHIHANIK	Luminaires for indoor lightin	"
4	620000 M&S Maint WT	55.68	Grainger -Dept 600-808332266	cust 600 808332	Luminaires for outdoor lighti	"
5	620000 M&S Maint WT	90.70	Grainger -Dept 600-808332266	acct# 600808332266	Luminaires for outdoor lighti	"
6	620000 M&S Maint WT	85.59	GRAINGER.COM	THOMAS G WINTER	Portable luminaires	"
7	575350 Meals & Travel Deduct	52.07	20050217	RIGOBERTO CAMACHO	food	"
8	575350 Meals & Travel Deduct	9.96	20050317	JAMES A GROOMAN	food	"
9	575350 Meals & Travel Deduct	134.43	20050317	JAMES A GROOMAN	food	"
10	575350 Meals & Travel Deduct	3.71	20050421	MICHAEL J RICHINS	food	"
11	575350 Meals & Travel Deduct	13.01	20050421	MICHAEL J RICHINS	food	"
12	575350 Meals & Travel Deduct	14.18	20050421	MICHAEL J RICHINS	food	"
13	575350 Meals & Travel Deduct	40.00	20050421	MICHAEL J RICHINS	food	"
14	575350 Meals & Travel Deduct	90.00	20050421	MICHAEL J RICHINS	food	"
15	575350 Meals & Travel Deduct	31.67	20050512	HECTOR F DELGADILLO	food	"
16	575350 Meals & Travel Deduct	58.76	20050512	HECTOR F DELGADILLO	food	"
17	575350 Meals & Travel Deduct	74.49	SAFEWAY STORE	JAMES A GROOMAN	food	"
18	575350 Meals & Travel Deduct	21.00	APPLEBEE'S	ERNESTO GARZA	food	"
19	575350 Meals & Travel Deduct	22.00	ROADRUNNER RESTAURANT	ERNESTO GARZA	food	"
20	575350 Meals & Travel Deduct	30.00	RED LOBSTER US	ERNESTO GARZA	food	"
21	575350 Meals & Travel Deduct	32.00	OUTBACK	ERNESTO GARZA	food	"
22	575350 Meals & Travel Deduct	6.64	SAFEWAY STORE	DAVID A WARD	food	"
23	575350 Meals & Travel Deduct	93.35	WM SUPERCENTER	DAVID A WARD	food	"
24	575460 Grounds Keeping WT	2,000.00	20050407	JAMES A GROOMAN	Landscaping/Lawn Mowing	DOES ANTHEM HAVE LAWNS TO MOW
25	575460 Grounds Keeping WT	150.00	STEVEN S DIAZ LAWN MAINT	JAMES A GROOMAN	Landscaping/Lawn Mowing	"
26	575460 Grounds Keeping WT	675.00	STEVEN S DIAZ LAWN MAINT	JAMES A GROOMAN	Landscaping/Lawn Mowing	"
27	575460 Grounds Keeping WT	2,700.00	STEVEN S DIAZ LAWN MAINT	JAMES A GROOMAN	Landscaping/Lawn Mowing	"
28	620000 M&S Maint WT	180.20	ACE HARDWARE ANTHEM	THOMAS G WINTER	Painting and wall papering wo	IS THIS AN APPROPRIATE EXPENSE
29	620000 M&S Maint WT	106.25	ACE HARDWARE ANTHEM	THOMAS G WINTER	Painting and wall papering wo	"
30	620000 M&S Maint WT	106.25	ACE HARDWARE ANTHEM	THOMAS G WINTER	Painting and wall papering wo	"
31	635000 Contr Svc-Other Maint WT	350.00	20041216	JEFFEREY A MARLOW	Cleaning Srvs in the sewerage	IS THIS A WASTEWATER EXPENSE
32	575340 Employee Expenses AG	263.69	DOLLAR RAC PHX	ERNESTO GARZA	Car rentals	IS THIS AN APPROPRIATE EXPENSE
33	575340 Employee Expenses AG	333.40	20050421	ERNESTO GARZA	Air/rail travel	"
34	575340 Employee Expenses AG	100.00	AMERWESTAIR	ERNESTO GARZA	Air/rail travel	"
35	575350 Meals & Travel Deduct	90.00	AMPKO-SAN JOSE INT'L AIRP	ERNESTO GARZA	Travel Incidentals	"
36	541400 Rents-Equipment Oper SS	611.82	Pinnacle Towers Inc-REMIT	330401456N0037-ShawButte	Rental for real estate	"
37	635000 Contr Svc-Other Maint WT	13,024.00	Applied Diving Services Inc-RE	Irrigation pond cleaning	Supply of commercial personnel	IS THIS A TYPICAL RECURRING EXPENSI
38	635000 Contr Svc-Other Maint WT	(0.31)	Applied Diving Services Inc-RE	Irrigation pond cleaning	Supply of commercial personnel	"
39	635000 Contr Svc-Other Maint WT	21,732.00	DL Norton General Contracting	BEGAY DARIN	Supply of salary earners □Z	"
40	635000 Contr Svc-Other Maint WT	16,680.00	DL Norton General Contracting	ANTHEM FILTERME	Supply of salary earners □Z	"
41	635000 Contr Svc-Other Maint WT	1,938.00	Applied Diving Services Inc-RE	Upper Reservoir Cleaning	Supply of salary earners □Z	"
42	635000 Contr Svc-Other Maint WT	(43.00)	Applied Diving Services Inc-RE	Upper Reservoir Cleaning	Supply of salary earners □Z	"
43	575000 Misc Oper WT	2,920.84	Pulte Homes The Communities of	Temp Effluent W	Installation works	IS THIS A WASTEWATER EXPENSE
44	575220 Community Relations	2,500.00	Anthem Community Council - REM	Anthem Days Sponsorship	Sales and marketing services	IS THIS AN INAPPROPRIATE EXPENSE
45	RUCO's Expenses To Be Removed	\$ 67,454.90				
46	RUCO's Adjustment	\$ (67,455)				

WORKPAPERS
EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6
RUCO ADDITIONAL ADJUSTMENTS TO COMPANY'S MISCELLANEOUS EXPENSES - CORPORATE DIVISION

LINE NO	(A)	(B)	(C)	(D)	(E)	(F)	(G)
	CATEGORY	AMOUNT		DESCRIPTION		RUCO'S CONCERN	
1	575998	PCard Undistributed	(15.72)	20050519	MERRY A COOPER	Luminaires for indoor lightin	CO. REMOVED SIMILAR EXPENSES
2	575000	Misc Oper AG	19.10	Airpark Signs & Graphics-PO/RE	LETTERING ONLY FOR PARKS	Signs	"
3	575998	PCard Undistributed	8.04	20050324	MERRY A COOPER	Kitchenware/cutlery	IS THIS AN APPROPRIATE EXPENSE
4	575998	PCard Undistributed	219.26	20050324	MERRY A COOPER	Kitchenware/cutlery	"
5	575030	Advertising	2.80	Direct Impact Marketing	JOB # 200517	Newspapers, magazines, brochu	"
6	575998	PCard Undistributed	450.00	20050428	JAMES A GROOMAN	Newspapers, magazines, brochu	"
7	575998	PCard Undistributed	17.77	WALGREEN	MERRY A COOPER	Hygienic papers	"
8	575998	PCard Undistributed	30.93	20050303	MERRY A COOPER	Hygienic papers	"
9	575998	PCard Undistributed	13.08	OFFICEMAX CT IN	FLOYD K MCKINNEY	Hygienic papers	"
10	575000	Misc Oper AG	171.49	CUSTOM BUTTONS	KATHIE M BELL	Office supplies	"
11	575000	Misc Oper AG	1,191.48	123 EZ TEES INC.	KATHIE M BELL	Office supplies	"
12	575998	PCard Undistributed	31.21	FRAMCO'S ACE HARDWARE	DEAN LANDONI	Office supplies	"
13	504500	Other Well Oper AG	15.00	Hairston, Anitria-Phoenix-PETT	Flu Shot for Dale Conove	Service Awards and Premiums	CO. REMOVED SIMILAR EXPENSES
14	504500	Other Well Oper AG	400.00	Keagle, Cory	Holiday Party DJ	Service Awards and Premiums	"
15	575998	PCard Undistributed	27.20	SEE'S CANDY	LARRY A BERRY	Service Awards and Premiums	"
16	575000	Misc Oper AG	115.08	Costco-REMIT	7003-7300-0000-6704	Beverages	IS THIS AN APPROPRIATE EXPENSE
17	575998	PCard Undistributed	16.03	20050324	MERRY A COOPER	Beverages	"
18	575998	PCard Undistributed	243.19	20050324	MERRY A COOPER	Beverages	"
19	575998	PCard Undistributed	23.00	20050415	DEAN LANDONI	Beverages	"
20	575998	PCard Undistributed	98.77	20050428	HECTOR F DELGADILLO	Beverages	"
21	575998	PCard Undistributed	16.73	20050519	MERRY A COOPER	Beverages	"
22	575998	PCard Undistributed	40.00	20050519	MERRY A COOPER	Beverages	"
23	575998	PCard Undistributed	54.48	20050519	MERRY A COOPER	Beverages	"
24	575998	PCard Undistributed	153.17	20050519	MERRY A COOPER	Beverages	"
25	575998	PCard Undistributed	24.15	BASHA'S 16 SYW	MERRY A COOPER	Beverages	"
26	575998	PCard Undistributed	32.38	KARIMS COBBLER SHOP	MERRY A COOPER	Beverages	"
27	575998	PCard Undistributed	33.31	SAFEWAY STORE	MERRY A COOPER	Beverages	"
28	575998	PCard Undistributed	64.29	OFFICEMAX CT IN	FLOYD K MCKINNEY	Beverages	"
29	504620	Employee Physical Exam AG	19.61	20050428	KARL WILKINS	food	CO. REMOVED SIMILAR EXPENSES
30	504670	Training AG	25.00	Huckeby, Nancy J -Petty Cash	Seminar	food	"
31	533000	Contr Svc-Legal Oper AG	36.34	Fennemore Craig - REMIT	FILE# 73244-006	food	"
32	575000	Misc Oper AG	22.73	20050331	NINA E MILLER	food	"
33	575000	Misc Oper AG	24.60	20050331	NINA E MILLER	food	"
34	575625	Overnight Shipping AG	120.73	Aramark Refreshment Services -	CUST 11110	food	"
35	575625	Overnight Shipping AG	11.01	Aramark Refreshment Services -	CUST# 11110	food	"
36	575998	PCard Undistributed	8.50	20041223	MARK CARDOZA	food	"
37	575998	PCard Undistributed	3.70	20040106	MELISSA SADOSKI	food	"
38	575998	PCard Undistributed	6.45	20040106	KARL WILKINS	food	"
39	575998	PCard Undistributed	8.38	20040106	MELISSA SADOSKI	food	"
40	575998	PCard Undistributed	9.35	20040106	MELISSA SADOSKI	food	"
41	575998	PCard Undistributed	10.56	20040106	KARL WILKINS	food	"
42	575998	PCard Undistributed	13.11	20040106	MELISSA SADOSKI	food	"
43	575998	PCard Undistributed	40.92	20040106	MELISSA SADOSKI	food	"
44	575998	PCard Undistributed	98.96	20040106	MELISSA SADOSKI	food	"
45	575998	PCard Undistributed	7.33	20040113	BRIAN BIESEMEYER	food	"
46	575998	PCard Undistributed	8.98	20040113	BRIAN BIESEMEYER	food	"
47	575998	PCard Undistributed	12.25	20040113	DALE E KENNOW	food	"
48	575998	PCard Undistributed	15.13	20040113	DALE E KENNOW	food	"
49	575998	PCard Undistributed	15.13	20040113	DALE E KENNOW	food	"
50	575998	PCard Undistributed	15.13	20040113	DALE E KENNOW	food	"
51	575998	PCard Undistributed	15.13	20040113	DALE E KENNOW	food	"
52	575998	PCard Undistributed	15.13	20040113	DALE E KENNOW	food	"
53	575998	PCard Undistributed	88.00	20040113	BRIAN BIESEMEYER	food	"
54	575998	PCard Undistributed	2.85	20040120	KARL WILKINS	food	"
55	575998	PCard Undistributed	4.66	20040120	KARL WILKINS	food	"
56	575998	PCard Undistributed	5.89	20040120	KARL WILKINS	food	"
57	575998	PCard Undistributed	7.19	20040120	KARL WILKINS	food	"
58	575998	PCard Undistributed	10.99	20040120	KARL WILKINS	food	"
59	575998	PCard Undistributed	13.32	20040120	KARL WILKINS	food	"
60	575998	PCard Undistributed	15.23	20040120	KARL WILKINS	food	"
61	575998	PCard Undistributed	31.61	20040120	KARL WILKINS	food	"
62	575998	PCard Undistributed	40.01	20040120	KARL WILKINS	food	"
63	575998	PCard Undistributed	29.81	20050127	PHYLLIS WINDHAM	food	"
64	575998	PCard Undistributed	24.09	20050217	BRAD W FINKE	food	"
65	575998	PCard Undistributed	26.97	20050217	JUSTIN K RUNDLE	food	"
66	575998	PCard Undistributed	67.09	20050217	BRAD W FINKE	food	"
67	575998	PCard Undistributed	37.81	20050303	TIMOTHY F FRIDAY	food	"
68	575998	PCard Undistributed	10.39	20050317	JEREMIAH MECHAM	food	"
69	575998	PCard Undistributed	16.58	20050324	ROBERT J OSTROV	food	"
70	575998	PCard Undistributed	49.72	20050324	MERRY A COOPER	food	"
71	575998	PCard Undistributed	84.89	20050324	MERRY A COOPER	food	"
72	575998	PCard Undistributed	12.68	20050428	JAMES TAYLOR	food	"
73	575998	PCard Undistributed	55.70	20050428	JAMES TAYLOR	food	"
74	575998	PCard Undistributed	68.83	20050428	JAMES TAYLOR	food	"
75	575998	PCard Undistributed	32.99	20050505	ROBERT C MANNING	food	"
76	575998	PCard Undistributed	2.78	20050512	JAMES ISHMAEL	food	"
77	575998	PCard Undistributed	13.89	20050602	THOMAS M BRODERICK	food	"
78	575998	PCard Undistributed	20.84	20050602	THOMAS M BRODERICK	food	"
79	575998	PCard Undistributed	25.96	20050602	THOMAS M BRODERICK	food	"
80	575998	PCard Undistributed	46.81	20050602	THOMAS M BRODERICK	food	"
81	575998	PCard Undistributed	24.50	BAHAMA BREEZE	JOSEPH E GROSS	food	"
82	575998	PCard Undistributed	25.55	EL PASO BAR B QUE	DOUGLAS J GRIFFITH	food	"
83	575998	PCard Undistributed	17.62	C&I SHOW HRDWRE & SECUR	DANIEL V ZAMORA	food	"
84	575998	PCard Undistributed	24.44	C&I SHOW HRDWRE & SECUR	DALE E KENNOW	food	"
85	575998	PCard Undistributed	21.00	BASHA'S 16 SYW	MERRY A COOPER	food	"
86	575998	PCard Undistributed	24.00	PARADISE BAKERY	MERRY A COOPER	food	"
87	575998	PCard Undistributed	24.38	CHIZONA'S PIZZA LL	MERRY A COOPER	food	"
88	575998	PCard Undistributed	27.98	PINK LOTUS	MERRY A COOPER	food	"
89	575998	PCard Undistributed	34.57	CHIZONA'S PIZZA LL	MERRY A COOPER	food	"
90	575998	PCard Undistributed	61.33	RED LOBSTER US	MERRY A COOPER	food	"

WORKPAPERS
EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6 - CONT'
RUCO ADDITIONAL ADJUSTMENTS TO COMPANY'S MISCELLANEOUS EXPENSES - CORPORATE DIVISION

LINE NO	(A)	(B)	(C)	(D)	(E)	(F)	(G)
		CATEGORY	AMOUNT		DESCRIPTION		RUCO'S CONCERN
91	575998	PCard Undistributed	173.00	PARADISE BAKERY	MERRY A COOPER	food	CO. REMOVED SIMILAR EXPENSES
92	575998	PCard Undistributed	0.57	HLA TRUCK STOP	THOMAS D TUCKER	food	"
93	575998	PCard Undistributed	5.43	HORSEMEN LODGE	THOMAS D TUCKER	food	"
94	575998	PCard Undistributed	5.50	STARBUCKS USA	KARL WILKINS	food	"
95	575998	PCard Undistributed	23.96	CHIZONA'S PIZZA LL	MERRY A COOPER	food	"
96	575998	PCard Undistributed	30.83	STREETS OF NEW YORK	MERRY A COOPER	food	"
97	575998	PCard Undistributed	35.59	MACAYO GOODYEAR	DOUGLAS J GRIFFITH	food	"
98	575998	PCard Undistributed	16.22	PARADISE BAKERY	ALEXANDRA L TRELOAR	food	"
99	575998	PCard Undistributed	75.33	US PIZZA	THOMAS M BENEDICT	food	"
100	575998	PCard Undistributed	10.55	PRIMM VALLEY GALLERY COFF	THOMAS D TUCKER	food	"
101	575998	PCard Undistributed	40.45	SAFEWAY STORE	JAMES TAYLOR	food	"
102	575998	PCard Undistributed	90.12	KFC #1303016	RIGOBERTO CAMACHO	food	"
103	575998	PCard Undistributed	5.40	STARBUCKS USA	KARL WILKINS	food	"
104	575998	PCard Undistributed	7.33	HMSHOST-PHX-AIR	KARL WILKINS	food	"
105	575998	PCard Undistributed	8.60	MCS BUR AIRPORT BAR & RST	KARL WILKINS	food	"
106	575998	PCard Undistributed	30.26	EL TORITO	KARL WILKINS	food	"
107	575998	PCard Undistributed	40.01	ERIC'S	KARL WILKINS	food	"
108	575998	PCard Undistributed	57.43	WHITE EAGLE DELI & RESTA	JAMES TAYLOR	food	"
109	504500	Other Welf Oper AG	41.25	Professional Plants & Inc-PO/R	SERVICES	Useful plants	"
110	575000	Misc Oper AG	48.13	Professional Plants & Inc-PO/R	NEW BROMELIADS	Useful plants	"
111	575000	Misc Oper AG	41.25	Professional Plants & Inc-PO/R	JUNE '05 MONTHLY PLANT S	Ornamental plants	"
112	504500	Other Welf Oper AG	41.25	Professional Plants & Inc-PO/R	SERVICES	Landscaping/Lawn Mowing	"
113	575998	PCard Undistributed	37.27	WELCH TRUE VALUE HDWE	RONALD L EATON	Painting and wall papering wo	IS THIS AN APPROPRIATE EXPENSE
114	575998	PCard Undistributed	294.26	20040106	FRANK RIOS	Cleaning Svcs in the sewerage	IS THIS A WASTEWATER EXPENSE
115	575998	PCard Undistributed	105.00	LEGENDS TECHNICAL SERVICE	JEFFEREY A MARLOW	Waste analyses	"
116	504500	Other Welf Oper AG	965.00	LA TIMES CLASSIFIED	KATHLEEN M WHEAT	Trade fairs and exhibitions	CO. REMOVED SIMILAR EXPENSES
117	575030	Advertising	477.00	Direct Impact Marketing	APP FOR SERVICE	Creative services	"
118	575120	Bill Inserts AG	55.00	Direct Impact Marketing	TAP WATER INSER	Printing Bill Inserts - Z	"
119	575120	Bill Inserts AG	3,657.50	Alcom Printing Group Inc	ACCT 0000027200	Printing Bill Inserts - Z	"
120	575120	Bill Inserts AG	574.09	Advanced Communications Agency	PO # AWAZ09052	Printing Bill Inserts - Z	"
121	575120	Bill Inserts AG	125.00	Direct Impact Marketing	JOB # AWAZ09051	Printing Bill Inserts - Z	"
122	575030	Advertising	4,947.20	Alcom Printing Group Inc	CUST # 68500	Printing Bill Inserts - Z	"
123	575030	Advertising	1,121.69	Direct Impact Marketing	job # awaz296	Printing Bill Inserts - Z	"
124	575120	Bill Inserts AG	165.00	Direct Impact Marketing	ADVERTISING	Printing Bill Inserts - Z	"
125	575120	Bill Inserts AG	2,372.85	Advanced Communications Agency	ADVERTISING	Printing Bill Inserts - Z	"
126	575120	Bill Inserts AG	(2,372.85)	Advanced Communications Agency	ADVERTISING	Printing Bill Inserts - Z	"
127	504500	Other Welf Oper AG	3.85	Independent Newspaper Inc-Dela	finance chg	Other advertising	IS THIS AN APPROPRIATE EXPENSE
128	575030	Advertising	229.95	OnHold Experience	SERVS FEB 2005	Other advertising	CO. REMOVED SIMILAR EXPENSES
129	575030	Advertising	440.00	E S ROCK Partners	ACCT SERVICES	Other advertising	"
130	575030	Advertising	717.41	Advanced Communications Agency	BRICK PACK	Other advertising	"
131	575030	Advertising	210.00	Direct Impact Marketing	JOB # AWAZ327	Other advertising	"
132	575030	Advertising	678.00	Direct Impact Marketing	job aw az293	Other advertising	"
133	575130	Brochures and Handouts	1,552.82	Serious Signs & Specialities -	JOB # 16123	Other advertising	"
134	575625	Overnight Shipping AG	73.66	United Parcel Service-REMIT	ACCT Y25653464	Printing and binding services	"
135	575030	Advertising	240.00	Direct Impact Marketing	GRAPHIC DESIGN	Graphical services	"
136	575030	Advertising	330.00	E S ROCK Partners	Job #Amer288	Graphical services	"
137	504500	Other Welf Oper AG	205.31	20040106	KATHLEEN M WHEAT	Printing products for adverti	IS THIS AN APPROPRIATE EXPENSE
138	504500	Other Welf Oper AG	329.97	20040106	KATHLEEN M WHEAT	Printing products for adverti	"
139	504500	Other Welf Oper AG	778.42	20040106	KATHLEEN M WHEAT	Printing products for adverti	"
140	504500	Other Welf Oper AG	1,106.62	20040106	KATHLEEN M WHEAT	Printing products for adverti	"
141	504500	Other Welf Oper AG	1,906.48	20040106	KATHLEEN M WHEAT	Printing products for adverti	"
142	504500	Other Welf Oper AG	4,835.47	20040106	KATHLEEN M WHEAT	Printing products for adverti	"
143	575460	Grounds Keeping AG	222.12	Roadrunner Printing - REMIT	PRINTING MATERI	Printing and binding services	CO. REMOVED SIMILAR EXPENSES
144	504500	Other Welf Oper AG	640.50	20050331	LINDA C STILLMAN	Removals	IS THIS AN APPROPRIATE EXPENSE
145	575998	PCard Undistributed	27.00	20041223	MARK CARDOZA	Passenger Transport Svcs	"
146	575998	PCard Undistributed	27.00	20041223	MARK CARDOZA	Passenger Transport Svcs	"
147	575998	PCard Undistributed	5.00	AMEXFEE	PHYLLIS WINDHAM	Travel agency services	"
148	575998	PCard Undistributed	5.00	AMEXFEE	KARL WILKINS	Travel agency services	"
149	504620	Employee Physical Exam AG	71.63	20050428	KARL WILKINS	Car rentals	"
150	550000	Trans Oper AG	21.87	Hairston, Anitria-Phoenix-PETT	Mileage	Car rentals	"
151	550000	Trans Oper AG	40.00	Hairston, Anitria-Phoenix-PETT	Parking	Car rentals	"
152	550000	Trans Oper AG	16.50	GIANT	BRIAN VANDENSON	Car rentals	"
153	575998	PCard Undistributed	32.00	20040106	MELISSA SADOSKI	Car rentals	"
154	575998	PCard Undistributed	415.15	20040106	KARL WILKINS	Car rentals	"
155	575998	PCard Undistributed	(21.45)	20040113	JAMES TAYLOR	Car rentals	"
156	575998	PCard Undistributed	130.95	20040113	BRIAN BIESEMEYER	Car rentals	"
157	575998	PCard Undistributed	695.06	20040113	JAMES TAYLOR	Car rentals	"
158	575998	PCard Undistributed	141.15	20040120	KARL WILKINS	Car rentals	"
159	575998	PCard Undistributed	232.53	20040120	KARL WILKINS	Car rentals	"
160	575998	PCard Undistributed	139.21	NATIONAL CAR RENTAL	KARL WILKINS	Car rentals	"
161	575998	PCard Undistributed	253.56	AVIS RENT-A-CAR	KARL WILKINS	Car rentals	"
162	575998	PCard Undistributed	154.24	20041223	MARK CARDOZA	Hotel accomodation	"
163	575998	PCard Undistributed	169.66	20041223	STEVE URAINE	Hotel accomodation	"
164	575998	PCard Undistributed	0.05	20040106	KARL WILKINS	Hotel accomodation	"
165	575998	PCard Undistributed	64.30	20040106	MARK CARDOZA	Hotel accomodation	"
166	575998	PCard Undistributed	344.85	20040106	KARL WILKINS	Hotel accomodation	"
167	575998	PCard Undistributed	345.10	20040106	KARL WILKINS	Hotel accomodation	"
168	575998	PCard Undistributed	660.38	20040106	KARL WILKINS	Hotel accomodation	"
169	575998	PCard Undistributed	662.85	20040106	KARL WILKINS	Hotel accomodation	"
170	575998	PCard Undistributed	169.66	20040113	BRIAN BIESEMEYER	Hotel accomodation	"
171	575998	PCard Undistributed	11.49	20040120	KARL WILKINS	Hotel accomodation	"
172	575998	PCard Undistributed	94.90	20040120	KARL WILKINS	Hotel accomodation	"
173	575998	PCard Undistributed	201.95	20040120	KARL WILKINS	Hotel accomodation	"
174	575998	PCard Undistributed	171.86	20050421	AMY YATES	Hotel accomodation	"
175	575998	PCard Undistributed	154.56	BEST WESTERN MOTELS	RAYMOND MAHONEY	Hotel accomodation	"
176	575998	PCard Undistributed	267.30	PALM GARDEN HOTEL	KARL WILKINS	Hotel accomodation	"
177	504670	Training AG	5.00	AMEXFEE	BRADLEY J COLE	Air/rail travel	"
178	504670	Training AG	194.40	FRONTIERAIR	BRADLEY J COLE	Air/rail travel	"
179	575998	PCard Undistributed	50.00	20040106	KARL WILKINS	Air/rail travel	"
180	575998	PCard Undistributed	80.00	20040106	KARL WILKINS	Air/rail travel	"
181	575998	PCard Undistributed	(5.00)	20040120	PHYLLIS WINDHAM	Air/rail travel	"
182	575998	PCard Undistributed	5.00	20040120	PHYLLIS WINDHAM	Air/rail travel	"

WORKPAPERS
EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6 - CONT'
RUCO ADDITIONAL ADJUSTMENTS TO COMPANY'S MISCELLANEOUS EXPENSES - CORPORATE DIVISION

LINE NO	(A)	(B)	(C)	(D)	(E)	(F)	(G)
	CATEGORY	AMOUNT		DESCRIPTION		RUCO'S CONCERN	
183	575998	PCard Undistributed	5.00	20040120	PHYLLIS WINDHAM	Air/rail travel	IS THIS AN APPROPRIATE EXPENSE
184	575998	PCard Undistributed	5.00	20040120	PHYLLIS WINDHAM	Air/rail travel	"
185	575998	PCard Undistributed	5.00	20040120	PHYLLIS WINDHAM	Air/rail travel	"
186	575998	PCard Undistributed	5.00	20040120	PHYLLIS WINDHAM	Air/rail travel	"
187	575998	PCard Undistributed	171.10	20040120	PHYLLIS WINDHAM	Air/rail travel	"
188	575998	PCard Undistributed	242.70	20040120	PHYLLIS WINDHAM	Air/rail travel	"
189	575998	PCard Undistributed	309.20	20040120	KARL WILKINS	Air/rail travel	"
190	575998	PCard Undistributed	509.10	20040120	PHYLLIS WINDHAM	Air/rail travel	"
191	575998	PCard Undistributed	622.04	20040120	PHYLLIS WINDHAM	Air/rail travel	"
192	575998	PCard Undistributed	5.00	20050127	PHYLLIS WINDHAM	Air/rail travel	"
193	575998	PCard Undistributed	5.00	20050127	PHYLLIS WINDHAM	Air/rail travel	"
194	575998	PCard Undistributed	5.00	20050127	PHYLLIS WINDHAM	Air/rail travel	"
195	575998	PCard Undistributed	5.00	20050127	PHYLLIS WINDHAM	Air/rail travel	"
196	575998	PCard Undistributed	243.60	20050127	PHYLLIS WINDHAM	Air/rail travel	"
197	575998	PCard Undistributed	243.60	20050127	PHYLLIS WINDHAM	Air/rail travel	"
198	575998	PCard Undistributed	362.40	20050127	PHYLLIS WINDHAM	Air/rail travel	"
199	575998	PCard Undistributed	362.40	20050127	PHYLLIS WINDHAM	Air/rail travel	"
200	575998	PCard Undistributed	364.29	20050127	PHYLLIS WINDHAM	Air/rail travel	"
201	575998	PCard Undistributed	(622.04)	20050127	PHYLLIS WINDHAM	Air/rail travel	"
202	575998	PCard Undistributed	40.11	20050303	PHYLLIS WINDHAM	Air/rail travel	"
203	575998	PCard Undistributed	76.80	20050303	PHYLLIS WINDHAM	Air/rail travel	"
204	575998	PCard Undistributed	5.00	20050310	MARK CARDOZA	Air/rail travel	"
205	575998	PCard Undistributed	385.60	20050310	MARK CARDOZA	Air/rail travel	"
206	575998	PCard Undistributed	99.20	20050317	BRAD W FINKE	Air/rail travel	"
207	575998	PCard Undistributed	309.20	20050317	BRAD W FINKE	Air/rail travel	"
208	575998	PCard Undistributed	299.20	20050407	PHYLLIS WINDHAM	Air/rail travel	"
209	575998	PCard Undistributed	195.20	20050421	KARL WILKINS	Air/rail travel	"
210	575998	PCard Undistributed	5.00	20050428	JAMES TAYLOR	Air/rail travel	"
211	575998	PCard Undistributed	473.10	20050428	JAMES TAYLOR	Air/rail travel	"
212	575998	PCard Undistributed	312.40	SOUTHWESTAIR	PHYLLIS WINDHAM	Air/rail travel	"
213	575998	PCard Undistributed	50.00	AMERWESTAIR	KARL WILKINS	Air/rail travel	"
214	504620	Employee Physical Exam AG	1.00	20050428	KARL WILKINS	Travel Incidentals	"
215	500000	Trans Oper AG	75.61	Hairston, Anitria-Phoenix-PETT	Parking Reimbursements	Travel Incidentals	"
216	500000	Trans Oper AG	21.88	SHELL OIL	LINDA C STILLMAN	Travel Incidentals	"
217	500000	Trans Oper AG	9.00	SHELL OIL	LINDA C STILLMAN	Travel Incidentals	"
218	575240	Co Dues/Membership Deduct	25.00	Huckeby, Nancy J -Petty Cash	Dues	Travel Incidentals	"
219	575998	PCard Undistributed	15.00	20041223	STEVE URAINE	Travel Incidentals	"
220	575998	PCard Undistributed	168.00	20040106	KARL WILKINS	Travel Incidentals	"
221	575998	PCard Undistributed	3.00	20040113	JAMES TAYLOR	Travel Incidentals	"
222	575998	PCard Undistributed	30.00	20040113	JAMES TAYLOR	Travel Incidentals	"
223	575998	PCard Undistributed	15.00	20050310	MARK CARDOZA	Travel Incidentals	"
224	575998	PCard Undistributed	34.00	SUPERSHUTTLE PHX	KENNETH S BEAN	Travel Incidentals	"
225	575998	PCard Undistributed	48.00	SKY HARBOR AIRPORT T	NINA E MILLER	Travel Incidentals	"
226	575998	PCard Undistributed	39.00	SKY HARBOR AIRPORT T	KARL WILKINS	Travel Incidentals	"
227	533000	Contr Svc-Legal Oper AG	213.50	Fennemore Craig - REMIT	FILE 73244006NJAM	Supply of technical personnel	CO. REMOVED SIMILAR EXPENSES
228	533000	Contr Svc-Legal Oper AG	648.33	Fennemore Craig - REMIT	FILE 73244001NJAM	Supply of technical personnel	"
229	533000	Contr Svc-Legal Oper AG	943.89	Fennemore Craig - REMIT	FILE 73244001	Supply of technical personnel	"
230	533000	Contr Svc-Legal Oper AG	422.50	Fennemore Craig - REMIT	3RD MANAGEMENT	Supply of technical personnel	"
231	533000	Contr Svc-Legal Oper AG	1,468.90	Fennemore Craig - REMIT	THIRD MANAGEMENT	Supply of technical personnel	"
232	550001	Trans Oper AG Lease Cost	7.05	Automotive Rentals Inc -ACH ON	5D70 M34420	Passenger Vehicle Lease	IS THIS AN APPROPRIATE EXPENSE
233	535000	Contr Svc-Other Oper AG	490.05	Oscar Larson Associates - PO/R	PROJECT 151035	Management consulting fees	"
234	535000	Contr Svc-Other Oper AG	490.05	Oscar Larson Associates - PO/R	PROJECT 151035	Management consulting fees	"
235	533000	Contr Svc-Legal Oper AG	88.50	Fennemore Craig - REMIT	FILE NO 73244055JB	O/S Legal Services, Other Law	"
236	533000	Contr Svc-Legal Oper AG	1,339.79	Fennemore Craig - REMIT	file#73244001njam	O/S Legal Services, Other Law	CO. REMOVED SIMILAR EXPENSES
237	533000	Contr Svc-Legal Oper AG	1,342.28	Fennemore Craig - REMIT	4/22/05 POSTAGE	O/S Legal Services, Other Law	"
238	533000	Contr Svc-Legal Oper AG	353.66	Fennemore Craig - REMIT	FILE# 73244001N	O/S Legal Services, Other Law	"
239	533000	Contr Svc-Legal Oper AG	63.80	Fennemore Craig - REMIT	GENERAL SERVICE	O/S Legal Services, Other Law	"
240	533000	Contr Svc-Legal Oper AG	102.80	Fennemore Craig - REMIT	client 73244 ma	O/S Legal Services, Other Law	"
241	575490	Injuries and Damages	12,000.00	Combs Law Group Inc	AF WP 4 Sound Enclos	O/S Legal Services, Other Law	"
242	575000	Misc Oper AG	3,000.00	Moody's Investors Service-REMI	CUST 300105166	Bank references	"
243	504500	Other Welf Oper AG	139.99	20040106	KATHLEEN M WHEAT	Newspaper Advertisements	IS THIS AN APPROPRIATE EXPENSE
244	504500	Other Welf Oper AG	2,167.20	The Bakersfield Californian	1CAW00	Newspaper Advertisements	"
245	504500	Other Welf Oper AG	83.33	20050127	KATHLEEN M WHEAT	Newspaper Advertisements	"
246	504500	Other Welf Oper AG	255.96	20050127	KATHLEEN M WHEAT	Newspaper Advertisements	"
247	504500	Other Welf Oper AG	778.42	20050127	KATHLEEN M WHEAT	Newspaper Advertisements	"
248	504500	Other Welf Oper AG	1,083.22	20050127	KATHLEEN M WHEAT	Newspaper Advertisements	"
249	504500	Other Welf Oper AG	2,333.10	20050127	KATHLEEN M WHEAT	Newspaper Advertisements	"
250	504500	Other Welf Oper AG	3,004.05	20050127	KATHLEEN M WHEAT	Newspaper Advertisements	"
251	504500	Other Welf Oper AG	49.99	20050310	KATHLEEN M WHEAT	Newspaper Advertisements	"
252	504500	Other Welf Oper AG	50.39	20050310	KATHLEEN M WHEAT	Newspaper Advertisements	"
253	504500	Other Welf Oper AG	139.99	20050310	KATHLEEN M WHEAT	Newspaper Advertisements	"
254	504500	Other Welf Oper AG	499.95	20050310	KATHLEEN M WHEAT	Newspaper Advertisements	"
255	504500	Other Welf Oper AG	777.69	20050310	KATHLEEN M WHEAT	Newspaper Advertisements	"
256	504500	Other Welf Oper AG	75.00	CRAIGSLIST ORG 01 OF	KATHLEEN M WHEAT	Newspaper Advertisements	"
257	504500	Other Welf Oper AG	138.81	COP UNION TRB ADVSTNG	KATHLEEN M WHEAT	Newspaper Advertisements	"
258	504500	Other Welf Oper AG	138.81	COP UNION TRB ADVSTNG	KATHLEEN M WHEAT	Newspaper Advertisements	"
259	504500	Other Welf Oper AG	500.00	PUBLIC RELATIONS SOCIETY	KATHLEEN M WHEAT	Newspaper Advertisements	"
260	504500	Other Welf Oper AG	535.58	S J MERCURY NEWS EGIL	KATHLEEN M WHEAT	Newspaper Advertisements	"
261	504500	Other Welf Oper AG	1,725.00	CAREERBUILDER COM	KATHLEEN M WHEAT	Newspaper Advertisements	"
262	504500	Other Welf Oper AG	1,020.78	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"
263	504500	Other Welf Oper AG	18.75	CAREER SITE CORP	KATHLEEN M WHEAT	Newspaper Advertisements	"
264	504500	Other Welf Oper AG	27.00	ONLINE JOB SOURCE INC	KATHLEEN M WHEAT	Newspaper Advertisements	"
265	504500	Other Welf Oper AG	62.50	CAREER SITE CORP	KATHLEEN M WHEAT	Newspaper Advertisements	"
266	504500	Other Welf Oper AG	285.80	HOUSTON CHRONICLE-ADVERT	KATHLEEN M WHEAT	Newspaper Advertisements	"
267	504500	Other Welf Oper AG	493.90	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"
268	504500	Other Welf Oper AG	648.75	MILITARY COMMUNICATION SP	KATHLEEN M WHEAT	Newspaper Advertisements	"
269	504500	Other Welf Oper AG	50.00	BROWN AND CALDWELL	KATHLEEN M WHEAT	Newspaper Advertisements	"
270	504500	Other Welf Oper AG	50.00	BROWN AND CALDWELL	KATHLEEN M WHEAT	Newspaper Advertisements	"
271	504500	Other Welf Oper AG	137.50	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"
272	504500	Other Welf Oper AG	357.50	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"
273	504500	Other Welf Oper AG	375.00	K-TECH INC.	KATHLEEN M WHEAT	Newspaper Advertisements	"
274	504500	Other Welf Oper AG	410.20	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"

WORKPAPERS
EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6 - CONT'
RUCO ADDITIONAL ADJUSTMENTS TO COMPANY'S MISCELLANEOUS EXPENSES - CORPORATE DIVISIO

LINE NO	(A)	(B)	(C)	(D)	(E)	(F)	(G)
	CATEGORY	AMOUNT	DESCRIPTION			RUCO'S CONCERN	
275	504500	Other Welf Oper AG	437.50	JOBMARK.COM	KATHLEEN M WHEAT	Newspaper Advertisements	IS THIS AN APPROPRIATE EXPENSE
276	504500	Other Welf Oper AG	493.90	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"
277	504500	Other Welf Oper AG	580.50	HOUSTON CHRONICLE-ADVERT	KATHLEEN M WHEAT	Newspaper Advertisements	"
278	504500	Other Welf Oper AG	862.50	CAREERBUILDER.COM	KATHLEEN M WHEAT	Newspaper Advertisements	"
279	504500	Other Welf Oper AG	62.50	JOBMARK.COM	KATHLEEN M WHEAT	Newspaper Advertisements	"
280	504500	Other Welf Oper AG	529.45	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"
281	504500	Other Welf Oper AG	862.50	CAREERBUILDER.COM	KATHLEEN M WHEAT	Newspaper Advertisements	"
282	504500	Other Welf Oper AG	22.80	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"
283	504500	Other Welf Oper AG	99.45	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"
284	504500	Other Welf Oper AG	130.00	JOBS AVAILABLE INC	KATHLEEN M WHEAT	Newspaper Advertisements	"
285	504500	Other Welf Oper AG	137.50	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"
286	504500	Other Welf Oper AG	137.50	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"
287	504500	Other Welf Oper AG	343.75	JOBMARK.COM	KATHLEEN M WHEAT	Newspaper Advertisements	"
288	504500	Other Welf Oper AG	400.75	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"
289	504500	Other Welf Oper AG	405.31	COP UNION TRB ADVSTNG	KATHLEEN M WHEAT	Newspaper Advertisements	"
290	504500	Other Welf Oper AG	448.50	AZ CAREER SEARCH, LLC	KATHLEEN M WHEAT	Newspaper Advertisements	"
291	504500	Other Welf Oper AG	474.55	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"
292	504500	Other Welf Oper AG	837.25	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"
293	504500	Other Welf Oper AG	862.50	CAREERBUILDER.COM	KATHLEEN M WHEAT	Newspaper Advertisements	"
294	504500	Other Welf Oper AG	887.11	COP UNION TRB ADVSTNG	KATHLEEN M WHEAT	Newspaper Advertisements	"
295	504500	Other Welf Oper AG	960.24	THE RECORDER	KATHLEEN M WHEAT	Newspaper Advertisements	"
296	504500	Other Welf Oper AG	962.74	THE RECORDER	KATHLEEN M WHEAT	Newspaper Advertisements	"
297	504500	Other Welf Oper AG	18.75	CAREER SITE CORP	KATHLEEN M WHEAT	Newspaper Advertisements	"
298	504500	Other Welf Oper AG	50.00	BROWN AND CALDWELL	KATHLEEN M WHEAT	Newspaper Advertisements	"
299	504500	Other Welf Oper AG	50.00	BROWN AND CALDWELL CORPOR	KATHLEEN M WHEAT	Newspaper Advertisements	"
300	504500	Other Welf Oper AG	50.00	BROWN AND CALDWELL CORPOR	KATHLEEN M WHEAT	Newspaper Advertisements	"
301	504500	Other Welf Oper AG	62.50	ADICIO, INC	KATHLEEN M WHEAT	Newspaper Advertisements	"
302	504500	Other Welf Oper AG	63.00	ASSOC CA WATER AGENCIES (KATHLEEN M WHEAT	Newspaper Advertisements	"
303	504500	Other Welf Oper AG	75.00	BOXWOOD CAREER CENTER	KATHLEEN M WHEAT	Newspaper Advertisements	"
304	504500	Other Welf Oper AG	220.00	ASSOC CA WATER AGENCIES (KATHLEEN M WHEAT	Newspaper Advertisements	"
305	504500	Other Welf Oper AG	439.90	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"
306	504500	Other Welf Oper AG	650.00	RENARD COMMUNICATIONS,	KATHLEEN M WHEAT	Newspaper Advertisements	"
307	504500	Other Welf Oper AG	887.11	COP UNION TRB ADVSTNG	KATHLEEN M WHEAT	Newspaper Advertisements	"
308	504500	Other Welf Oper AG	1,521.25	LA TIMES CLASSIFIED	KATHLEEN M WHEAT	Newspaper Advertisements	"
309	575030	Advertising	220.00	E S ROCK Partners	Captures Misc Ads for AZ	Newspaper Advertisements	"
310	575030	Advertising	300.00	Woodenship Advertising & Publi	Latino Journal Ad Jan 20	Newspaper Advertisements	"
311	575998	PCard Undistributed	9.19	20040106	KARL WILKINS	Catering/works catering	"
312	575998	PCard Undistributed	9.89	20040106	KARL WILKINS	Catering/works catering	"
313	575998	PCard Undistributed	14.40	20040106	KARL WILKINS	Catering/works catering	"
314	575998	PCard Undistributed	17.13	20040106	KARL WILKINS	Catering/works catering	"
315	575998	PCard Undistributed	19.05	20040106	KARL WILKINS	Catering/works catering	"
316	575998	PCard Undistributed	21.55	20040106	KARL WILKINS	Catering/works catering	"
317	575998	PCard Undistributed	22.77	20040106	KARL WILKINS	Catering/works catering	"
318	575998	PCard Undistributed	31.54	20040106	KARL WILKINS	Catering/works catering	"
319	575998	PCard Undistributed	38.92	20040106	KARL WILKINS	Catering/works catering	"
320	575998	PCard Undistributed	56.73	20040106	KARL WILKINS	Catering/works catering	"
321	575998	PCard Undistributed	70.54	20040106	KARL WILKINS	Catering/works catering	"
322	575998	PCard Undistributed	87.53	20040106	KARL WILKINS	Catering/works catering	"
323	575998	PCard Undistributed	106.52	20040106	KARL WILKINS	Catering/works catering	"
324	575998	PCard Undistributed	23.15	20050203	MERRY A COOPER	Catering/works catering	"
325	575998	PCard Undistributed	24.00	PARADISE BAKERY	MERRY A COOPER	Catering/works catering	"
326	575998	PCard Undistributed	173.00	PARADISE BAKERY	MERRY A COOPER	Catering/works catering	"
327	504500	Other Welf Oper AG	68.48	Bigus, Robert	Travel Reimbursement	Customer service	"
328	535000	Contr Svc-Other Oper AG	17,770.00	Brownholtz & Associates LLC	CANDIDATE BRIAN VANDENSO	Personnel recruitment charges	"
329	535000	Contr Svc-Other Oper AG	5,000.00	Brownholtz & Associates LLC	SEARCH&SELECTION RETAINE	Personnel recruitment charges	"
330	535000	Contr Svc-Other Oper AG	858.35	Spain Renee Tatum	7/25-8/7/05 gen	Personnel recruitment charges	"
331	535000	Contr Svc-Other Oper AG	332.50	Spain, Renee Tatum	8/22/05-9/3/05	Personnel recruitment charges	"
332	535000	Contr Svc-Other Oper AG	1,239.92	Spain, Renee Tatum	8/8/05-8/20/05	Personnel recruitment charges	"
333	535000	Contr Svc-Other Oper AG	22,500.00	Management Recruiters of Scott	JEFF HILL	Personnel recruitment charges	"
334	504620	Employee Physical Exam AG	167.44	Jobing.com	3 POSTINGS	Personnel recruitment charges	"
335	504620	Employee Physical Exam AG	546.00	Jobing.com	3 POSTINGS	Personnel recruitment charges	"
336	504620	Employee Physical Exam AG	100.00	MCCCD GATEWAY	SHIRLEY L WATKINS	Personnel recruitment charges	"
337	504620	Employee Physical Exam AG	5.00	AMEX FEE	SHIRLEY L WATKINS	Personnel recruitment charges	"
338	504620	Employee Physical Exam AG	103.10	COUNTRY INN & SUITES PHOE	SHIRLEY L WATKINS	Personnel recruitment charges	"
339	504620	Employee Physical Exam AG	103.10	COUNTRY INN & SUITES PHOE	SHIRLEY L WATKINS	Personnel recruitment charges	"
340	504620	Employee Physical Exam AG	238.40	UNITED AIR	SHIRLEY L WATKINS	Personnel recruitment charges	"
341	535000	Contr Svc-Other Oper AG	4,843.16	Alexander K Group	LICENSE	Personnel recruitment charges	"
342	535000	Contr Svc-Other Oper AG	25,000.00	JRP Group M R Of Keystone/Vail	RAYMOND YANG 1/17/05	Personnel recruitment charges	"
343	575240	Co Dues/Membership Deduct	130.00	20050317	DALE E CONOVER	Other charges	CO. REMOVED SIMILAR EXPENSES
344	575240	Co Dues/Membership Deduct	110.00	20050407	ARTHUR W FAILLO	Other charges	"
345	575240	Co Dues Deduct NAWC	19,019.61	NAWC-Washington DC	NAWC - Annual - Arizona	Other charges	"
346	575271	Directors Expenses	203.57	Duque, Henry M	Brd Mtg Exp 12/13/04	Other charges	IS THIS AN APPROPRIATE EXPENSE
347	575240	Co Dues/Membership Deduct	45.00	ACTEVA.COM ONLINE EVENTS	CLIFFORD D WAHLERS	Other charges	"
348	575240	Co Dues/Membership Deduct	45.00	ACTEVA.COM ONLINE EVENTS	JOHNNY L REYNOLDS	Other charges	"
349	575240	Co Dues/Membership Deduct	200.00	California, State of	Geologist License/Renewal	Other charges	"
350	575270	Directors Fees	500.00	Georgeson, Duane L-DIRECTOR FE	Brd Mtg Attend 12/13/04	Collection Agency Fees :Z	"
351	575270	Directors Fees	500.00	Duque, Henry M	Brd Mtg Attend 12/13/04	Collection Agency Fees :Z	"
352	575270	Directors Fees	1,000.00	Georgeson, Duane L-DIRECTOR FE	1st Qtr Retainer-AZ 2005	Collection Agency Fees :Z	"
353	575270	Directors Fees	1,000.00	Duque, Henry M	1st Qtr Retainer-2005 AZ	Collection Agency Fees :Z	"
354	575270	Directors Fees	500.00	Georgeson, Duane L-DIRECTOR FE	Attendance 4/11/05 AZ	Collection Agency Fees :Z	"
355	575270	Directors Fees	500.00	Duque, Henry M	Attendance 4/11/05 AZ	Collection Agency Fees :Z	"
356	575270	Directors Fees	1,000.00	Duque, Henry M	AZ Qtrly retainer fee 20	Collection Agency Fees :Z	"
357	575270	Directors Fees	1,000.00	Georgeson, Duane L-DIRECTOR FE	AZ Qtrly Retainers Fee 2	Collection Agency Fees :Z	"
358	575270	Directors Fees	1,000.00	Duque, Henry M	2nd Qtr Retainer Fee-AZ	Collection Agency Fees :Z	"
359	575270	Directors Fees	1,000.00	Georgeson, Duane L-DIRECTOR FE	2nd Qtr Retainer Fee-AZ	Collection Agency Fees :Z	"
360	575270	Directors Fees	500.00	Duque, Henry M	7/18 Brd Mtg Attend - AZ	Collection Agency Fees :Z	"
361	575270	Directors Fees	500.00	Georgeson, Duane L-DIRECTOR FE	7/18 Brd Mtg Attend - AZ	Collection Agency Fees :Z	"
362	575270	Directors Fees	1,000.00	Georgeson, Duane L-DIRECTOR FE	AZ Qtrly Retainers Fee 2	Collection Agency Fees :Z	"
363	575270	Directors Fees	1,000.00	Duque, Henry M	AZ Qtrly retainer fee 20	Collection Agency Fees :Z	"
364	575270	Directors Fees	500.00	Duque, Henry M	10/02 Addendance Fee	Collection Agency Fees :Z	"
365	575270	Directors Fees	500.00	Georgeson, Duane L-DIRECTOR FE	10/10 Attendance Fee	Collection Agency Fees :Z	"
366	575271	Directors Expenses	432.41	Georgeson, Duane L-DIRECTOR FE	Brd Mtg Exp 10/18-19/04	Collection Agency Fees :Z	"

WORKPAPERS
EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6 - CONT'
RUCO ADDITIONAL ADJUSTMENTS TO COMPANY'S MISCELLANEOUS EXPENSES - CORPORATE DIVISION

LINE NO	(A)	(B)	(C)	(D)	(E)	(F)	(G)
NO	CATEGORY		AMOUNT	DESCRIPTION			RUCO'S CONCERN
367	575271	Directors Expenses	77.82	Georgeson, Duane L-DIRECTOR FE	Brd Mtg Expense Reimbrsm	Collection Agency Fees	IS THIS AN APPROPRIATE EXPENSE
368	575271	Directors Expenses	140.18	Duque, Henry M	Brd Mtg Exp Reimbursemt	Collection Agency Fees	"
369	575271	Directors Expenses	402.16	Georgeson, Duane L-DIRECTOR FE	Brd Mtg Exp Reimbursemen	Collection Agency Fees	"
370	575271	Directors Expenses	375.98	Duque, Henry M	Brd Mtg Exp Reimbursemt	Collection Agency Fees	"
371	575271	Directors Expenses	154.31	Duque, Henry M	Meeting Exp 4/11/05	Collection Agency Fees	"
372	575240	Co Dues/Membership Deduct	55.00	20050310	CAMILA C FERNANDEZ	Collection Agency Fees	"
373	575240	Co Dues/Membership Deduct	118.00	20050310	GREGORY N WILLIAMSON	Collection Agency Fees	"
374	575240	Co Dues/Membership Deduct	3,500.00	Water Utilities Association of	WUAA's 2005 Dues	Collection Agency Fees	"
375	575998	PCard Undistributed	30.52	SAFEWAY STORE	JAMES TAYLOR	Hospitality Expenses	"
376	575998	PCard Undistributed	18.50	NEW CHINA SUPER BUFFET	NINA E MILLER	Suspense-Do Not Use	"
377	504500	Other Welf Oper AG	645.00	BIZJOURNALS	KATHLEEN M WHEAT	Suspense-Do Not Use	"
378	575998	PCard Undistributed	10.00	AMEXFEE	NINA E MILLER	Suspense-Do Not Use	"
379	575998	PCard Undistributed	5.00	AMEXFEE	NINA E MILLER	Suspense-Do Not Use	"
			<u>\$ 218,919.77</u>				

As Per Company Response To Staff Data Request SDR 9.3

Q: k. Credit Line Fee	\$ 33,797
Q: dd. Mmgt Fees Bsn Change-Corp	459,998
Q: ff. Mmgt Fees P13880-Corp	31,392
RUCO's Expenses To Be Removed	<u>\$ (744,107)</u>
	<u>-46.30%</u>
Removal Of The West Region Service Company	\$ 344,521
	41.37%
Adding Back In The AZ-AM Portion	<u>\$ (142,529)</u>
	11.24%
Anthem's Portion	\$ (16,020)
As Per Company Response To Staff Data Request SDR 9.3	
Q: ee. Mmgt Fees Bsn Change-Region	\$ 1,033
Q: gg. Mmgt Fees P13880-Region	<u>\$ (1,692)</u>
Total Adjustment To Misc. Expenses - Corporate	<u>\$ (16,679)</u>
	50.00%
RUCO's Adjustment (Split 50/50 Water / Wastewater)	<u>\$ (8,010)</u>

WORKPAPERS
RUCO ADDITIONAL ADJUSTMENTS TO COMPANY'S MISCELLANEOUS EXPENSES
CENTRAL DIVISION

LINE NO	(A) CATEGORY	(C) AMOUNT	(D) DESCRIPTION	(E) DESCRIPTION	(F) RUCO CONCERN	(G) RUCO CONCERN
1	575000 Misc Oper TD	706	Grainger -Dept 600-808332266	inv9342623593	Luminaires for outdoor lighti	CO. REMOVED SIMILAR EXPENSES
2	575710 Security Service AG	177	20050505	BERT L REYNOLDS	Luminaires for outdoor lighti	"
3	575710 Security Service AG	182	20050505	BERT L REYNOLDS	Luminaires for outdoor lighti	"
4	575000 Misc Oper AG	86	Grainger -Dept 600-808332266	ACCT 6008083322	Portable luminaires	"
5	575000 Misc Oper AG	46	Grainger -Dept 600-808332266	ACCT 6008083322	Portable luminaires	"
6	575000 Misc Oper AG	17	Grainger -Dept 600-808332266	ACCT 6008083322	Portable luminaires	"
7	575000 Misc Oper AG	86	Grainger -Dept 600-808332266	CUST 6008083322	Portable luminaires	"
8	575000 Misc Oper AG	86	Grainger -Dept 600-808332266	CUST 600 808332	Portable luminaires	"
9	575710 Security Service AG	450	STEVEN S DIAZ LAWN MAINT	ROBERT GARCIA	Components, physical protecti	IS THIS AN APPROPRIATE EXPENSE
10	575710 Security Service AG	5,930	STEVEN S DIAZ LAWN MAINT	ROBERT GARCIA	Components, physical protecti	"
11	575000 Misc Oper AG	406	OFFICE MAX	CHRISTOPHER L GUNDERSON	Cameras	IS THIS AN APPROPRIATE EXPENSE
12	575000 Misc Oper TD	276	Ken's Sign Service Inc	SERVICES	Decorative fabrics	"
13	575625 Overnight Shipping AG	227	20050317	JAMES A GROOMAN	Sitting/lying furniture	"
14	575625 Overnight Shipping AG	554	20050317	JAMES A GROOMAN	Sitting/lying furniture	"
15	575625 Overnight Shipping AG	256	20040106	JAMES A GROOMAN	Canteen furnishings	"
16	575000 Misc Oper TD	65	Ice Wagon The-PO/REMIT	service	Kitchenware/cutlery	"
17	575000 Misc Oper TD	165	Ice Wagon The-PO/REMIT	ICE SUPPLY	Kitchenware/cutlery	"
18	575000 Misc Oper TD	72	ACE HARDWARE	ROBERT GARCIA	Kitchenware/cutlery	"
19	504500 Other Well Oper AG	42	AMERICAN WATER WORKS	PHYLLIS WINDHAM	Newspapers, magazines, brochu	"
20	504610 Employee Awards AG	25	20040106	ROBERT GARCIA	Service Awards and Premiums	∩
21	504610 Employee Awards AG	30	20040106	PHYLLIS WINDHAM	Service Awards and Premiums	∩
22	504610 Employee Awards AG	126	20040106	PHYLLIS WINDHAM	Service Awards and Premiums	∩
23	504610 Employee Awards AG	20	20050127	PHYLLIS WINDHAM	Service Awards and Premiums	∩
24	504610 Employee Awards AG	25	20050210	PHYLLIS WINDHAM	Service Awards and Premiums	∩
25	504610 Employee Awards AG	96	Tharpe Company Inc-REMIT	sales order #353367	Service Awards and Premiums	∩
26	504610 Employee Awards AG	25	20050505	PHYLLIS WINDHAM	Service Awards and Premiums	∩
27	504610 Employee Awards AG	124	Tharpe Company Inc-REMIT	CUST# 8549	Service Awards and Premiums	∩
28	504610 Employee Awards AG	64	OFFICE MAX	ARTHUR W FAIELLO	Service Awards and Premiums	∩
29	504610 Employee Awards AG	25	TARGET	PHYLLIS WINDHAM	Service Awards and Premiums	∩
30	504610 Employee Awards AG	70	WAL MART	PHYLLIS WINDHAM	Service Awards and Premiums	∩
31	504610 Employee Awards AG	96	FEDEX KINKO'S	ARTHUR W FAIELLO	Service Awards and Premiums	∩
32	504610 Employee Awards AG	628	ARROWHEAD TOWNE CENTER	PHYLLIS WINDHAM	Service Awards and Premiums	∩
33	575620 Office & Admin Supplies WT	27	20050317	JEFFEREY A MARLOW	General materials for busines	"
34	575000 Misc Oper TD	119	Ice Wagon The-PO/REMIT	Ice	Beverages	"
35	575000 Misc Oper TD	165	Ice Wagon The-PO/REMIT	ICE	Beverages	"
36	575000 Misc Oper TD	165	Ice Wagon The-PO/REMIT	SUPPLIES	Beverages	"
37	575000 Misc Oper TD	118	Ice Wagon The-PO/REMIT	ICE SUPPLY	Beverages	"
38	575000 Misc Oper TD	146	Ice Wagon The-PO/REMIT	ICE SUPPLY	Beverages	"
39	575000 Misc Oper TD	165	Ice Wagon The-PO/REMIT	ICE SUPPLY	Beverages	"
40	575000 Misc Oper TD	133	Ice Wagon The-PO/REMIT	ICE SUPPLY	Beverages	"
41	575000 Misc Oper TD	165	Ice Wagon The-PO/REMIT	ICE SUPPLY	Beverages	"
42	575000 Misc Oper AG	61	20050203	YGNASIO SAMARRIPA	Beverages	"
43	575000 Misc Oper AG	8	GRAINGER.COM	THOMAS G WINTER	Beverages	"
44	575000 Misc Oper AG	49	GRAINGER.COM	THOMAS G WINTER	Beverages	"
45	504670 Training AG	8	SHANGRI LA RESTAURANT	ALEXANDRA L TRELOAR	food	"
46	504670 Training AG	35	Huckeby, Nancy J -Petty Cash	Training	food	"
47	535001 Contr Svc-Temp Empl Oper AG	65	20050203	YGNASIO SAMARRIPA	food	"
48	535001 Contr Svc-Temp Empl Oper AG	137	20050421	YGNASIO SAMARRIPA	food	"
49	535001 Contr Svc-Temp Empl Oper AG	36	DOMINO'S PIZZA #	YGNASIO SAMARRIPA	food	"
50	535001 Contr Svc-Temp Empl Oper AG	77	RED LOBSTER US	YGNASIO SAMARRIPA	food	"
51	550000 Transport Maint TD	409	Huckeby, Nancy J -Petty Cash	Towing	food	"
52	550003 Trans Oper AG Lease Maint	15	Huckeby, Nancy J -Petty Cash	Vehicle Tags	food	"
53	575220 Community Relations	26	FLYING J SUNSHINE REST	ARTHUR W FAIELLO	food	"
54	575240 Co Dues/Membership Deduct	261	Costco Membership	Membership Dues	food	"
55	575460 Grounds Keeping AG	43	20050519	JAMES TAYLOR	food	"
56	575460 Grounds Keeping AG	48	20050519	JAMES TAYLOR	food	"
57	575460 Grounds Keeping AG	61	20050519	JAMES TAYLOR	food	"
58	575820 Uniforms TD	5	Huckeby, Nancy J -Petty Cash	supplies	food	"
59	504500 Other Well Oper AG	55	20050303	PHYLLIS WINDHAM	Useful plants	"
60	504610 Employee Awards AG	57	LAKESIDE FLORIST	PHYLLIS WINDHAM	Useful plants	"
61	504610 Employee Awards AG	50	PROFLOWERS.COM	PHYLLIS WINDHAM	Useful plants	"
62	575000 Misc Oper TD	103	Professional Plants & Inc-PO/R	NEW BROMELIADS	Useful plants	"
63	504610 Employee Awards AG	55	PROFLOWERS.COM	PHYLLIS WINDHAM	Ornamental plants	"
64	575460 Grounds Keeping TD	310	STEVEN S DIAZ LAWN MAINT	ROBERT GARCIA	Landscaping/Lawn Mowing	"
65	575460 Grounds Keeping AG	760	Broken Arrow Landscape - REMIT	LawnMaintenance/AZ Amer w	Landscaping/Lawn Mowing	"
66	575460 Grounds Keeping AG	760	Broken Arrow Landscape - REMIT	LawnMaintenance/AZ Amer w	Landscaping/Lawn Mowing	"
67	575460 Grounds Keeping AG	760	Broken Arrow Landscape - REMIT	LawnMaintenance/AZ Amer w	Landscaping/Lawn Mowing	"
68	575460 Grounds Keeping AG	760	Broken Arrow Landscape - REMIT	Diaz - Sun City AZ	Landscaping/Lawn Mowing	"
69	575460 Grounds Keeping AG	760	Broken Arrow Landscape - REMIT	Diaz - Sun City AZ	Landscaping/Lawn Mowing	"
70	575460 Grounds Keeping AG	760	Broken Arrow Landscape - REMIT	Diaz - Sun City AZ	Landscaping/Lawn Mowing	"
71	575460 Grounds Keeping AG	760	Broken Arrow Landscape - REMIT	Diaz - Sun City AZ	Landscaping/Lawn Mowing	"
72	575460 Grounds Keeping AG	760	Broken Arrow Landscape - REMIT	Diaz - Sun City AZ	Landscaping/Lawn Mowing	"
73	575460 Grounds Keeping AG	760	Broken Arrow Landscape - REMIT	Diaz - Sun City AZ	Landscaping/Lawn Mowing	"
74	575460 Grounds Keeping AG	760	Broken Arrow Landscape - REMIT	Diaz - Sun City AZ	Landscaping/Lawn Mowing	"
75	575460 Grounds Keeping AG	760	Broken Arrow Landscape - REMIT	Diaz - Sun City AZ	Landscaping/Lawn Mowing	"
76	504500 Other Well Oper AG	114	Independent Newspaper Inc-Dela	BILLED ACCOUNT#	Other advertising	CO. REMOVED SIMILAR EXPENSES
77	550000 Transport Maint TD	301	Serious Signs & Specialties -	JOB #16058	Artistic services	CO. REMOVED SIMILAR EXPENSES
78	550000 Transport Maint TD	68	Serious Signs & Specialties -	JOB # 16313	Artistic services	"
79	550000 Transport Maint TD	275	Serious Signs & Specialties -	JOB # 16346	Artistic services	"
80	550000 Transport Maint TD	26	Serious Signs & Specialties -	CUST 233	Artistic services	"
81	550000 Transport Maint TD	792	Serious Signs & Specialties -	CUST # 233 JOB	Artistic services	"
82	550000 Transport Maint TD	263	Serious Signs & Specialties -	CUST 233	Artistic services	"
83	504500 Other Well Oper AG	94	RURAL METRO AZ EMS	PHYLLIS WINDHAM	Car rentals	IS THIS AN APPROPRIATE EXPENSE
84	504500 Other Well Oper AG	19	Huckeby, Nancy J -Petty Cash	Milage	Travel Incidentals	"
85	504500 Other Well Oper AG	183	Huckeby, Nancy J -Petty Cash	Milage	Travel Incidentals	"
86	550000 Transport Maint TD	216	AUTO STYLE INC	RAYMOND MAHONEY	Travel Incidentals	"
87	575220 Community Relations	19	FLYING J/CFJ	ARTHUR W FAIELLO	Travel Incidentals	"
88	575220 Community Relations	51	FLYING J/CFJ	ARTHUR W FAIELLO	Travel Incidentals	"
89	504670 Training AG	45	ACTEVA.COM ONLINE EVENTS	ROBERT GARCIA	In-house training/seminars	"
90	504670 Training AG	45	ACTEVA.COM ONLINE EVENTS	PHYLLIS WINDHAM	External training/seminars	"
91	504670 Training AG	45	ACTEVA.COM ONLINE EVENTS	PHYLLIS WINDHAM	External training/seminars	"

WORKPAPERS
EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6 - CONT'D
RUCO ADDITIONAL ADJUSTMENTS TO COMPANY'S MISCELLANEOUS EXPENSES - CENTRAL DIVISIOI

LINE NO	(A)	(B)	(C)	(D)	(E)	(F)	(G)
NO	CATEGORY		AMOUNT	DESCRIPTION			RUCO CONCERN
92	504670	Training AG	45	ACTEVA.COM ONLINE EVENTS	PHYLLIS WINDHAM	External training/seminars	*
93	504670	Training AG	45	ACTEVA.COM ONLINE EVENTS	PHYLLIS WINDHAM	External training/seminars	*
94	504670	Training AG	45	ACTEVA.COM ONLINE EVENTS	PHYLLIS WINDHAM	External training/seminars	*
95	504670	Training AG	55	ACTEVA.COM ONLINE EVENTS	PHYLLIS WINDHAM	External training/seminars	*
96	504670	Training AG	55	ACTEVA.COM ONLINE EVENTS	PHYLLIS WINDHAM	External training/seminars	*
97	550001	Trans Oper AG Lease Cost	291	Automotive Rentals Inc -ACH ON	5D70 M34420	Passenger Vehicle Lease	*
98	533000	Contr Svc-Legal Oper AG	19,935	Fennemore Craig - REMIT	FILE #73244-059	O/S Legal Services, Other Law	*
99	535001	Contr Svc-Temp Empl Oper AG	9	CRACKER BARREL	YGNASIO SAMARRIPA	Catering/works catering	*
100	535001	Contr Svc-Temp Empl Oper AG	11	LITTLE AMERICA FLAGSTA	YGNASIO SAMARRIPA	Catering/works catering	*
101	575240	Co Dues/Membership Deduct	30	20050415	PHYLLIS WINDHAM	Other charges	*
102	575240	Co Dues/Membership Deduct	62	20050602	ARTHUR W FAIELLO	Other charges	*
			<u>\$ 45,856</u>				
			\$ (45,856)				
			12.51%				
			\$ (5,737)				
			50.00%				
			<u>\$ (2,868)</u>				
			RUCO's Expenses To Be Removed				
			Anthem's Portion				
			RUCO's Adjustment (Split 50/50 Water / Wastewater)				

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 8
INCOME TAX EXPENSE**

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
FEDERAL INCOME TAXES:			
1	Operating Income Before Taxes	Sch. RLM-6, Column (C), L26 + L23	\$ 737,277
LESS:			
2	Arizona State Tax	Line 11	19,580
3	Interest Expense	Note (A) Line 20	(1,018,274)
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	\$ (261,417)
5	Federal Tax Rate	Sch. RLM-1, Pg 2, Col. (D), L34	34.00%
6	Federal Income Tax Expense	Line 4 X line 5	\$ (88,882)
STATE INCOME TAXES:			
7	Operating Income Before Taxes	Line 1	\$ 737,277
LESS:			
8	Interest Expense	Note (A) Line 20	(1,018,274)
9	State Taxable Income	Line 7 - Line 8	\$ (280,996)
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	\$ (19,580)
TOTAL INCOME TAX EXPENSE:			
12	Federal Income Tax Expense	Line 6	\$ (88,882)
13	State Income Tax Expense	Line 11	(19,580)
14	Total Income Tax Expense Per RUCO	Line 12 + Line 13	\$ (108,461)
15	Total Income Tax Expense Per Company (Per Company Sch. C-1)		(482,044)
16	Total Income Tax Adjustmen	Line 14 - Line 15	\$ 373,583
17	RUCO Adjustment (See Sch. RLM-7, Column (J))	Line 16	\$ 373,583

NOTE (A):

Interest Synchronization:

18	Adjusted Rate Base (Sch. RLM-2, Col. (H), L17)	\$ 31,603,778
19	Weighted Cost Of Debt (Sch. RLM-16 Col. (F), L1)	3.22%
20	Interest Expense (L18 X L19)	\$ 1,018,274

RATE DESIGN AND PROOF OF RECOMMENDED REVENUE

LINE NO.	DESCRIPTION	(A) TEST YEAR DETERMIN'TS	(B) ANN'ZED ADJUSTM'TS	(C) TEST YEAR ADJUSTED DETERMIN'TS	(D) PROPOSED CHARGES & USAGE FEES	(E) RUCO PROPOSED REVENUES	(F) TOTAL REVENUES
RESIDENTIAL CUSTOMERS							
1	G-1 - 5/8" & 3/4"	51,069	2,209	53,278	\$ 19.76	\$ 1,052,706	
2	G-1 - 1"	36,408	1,522	37,930	\$ 34.78	1,319,035	
3	G-1 - 1.5"	709	29	738	\$ 80.02	59,026	
4	G-1 - 2"	218	9	227	\$ 104.53	23,679	
5	G-1 - 3"	9	-	9	\$ 200.16	1,801	
6	Total Customers	<u>88,412</u>	<u>3,769</u>	<u>92,181</u>			\$ 2,456,247
	Commodity Usage						
7	First Tier	309,833,000	13,136,501	322,969,501	\$ 1.48	\$ 477,062	
8	Second Tier	516,628,000	21,896,600	538,524,600	\$ 2.16	1,165,298	
9	Third Tier	75,909,000	3,216,929	79,125,929	\$ 3.26	258,042	
10	Total Usage	<u>902,370,000</u>	<u>38,250,030</u>	<u>940,620,030</u>			\$ 1,900,401
11	TOTAL RESIDENTIAL CUSTOMERS REVENUE						<u>\$ 4,356,648</u>
COMMERCIAL CUSTOMERS							
12	G-1 - 5/8" & 3/4"	51	-	51	\$ 33.57	\$ 1,716	
13	G-1 - 5/8" & 3/4"	184	9	193	\$ 33.57	6,491	
14	G-1 - 1"	71	4	75	\$ 59.08	4,431	
15	G-1 - 1"	209	10	219	\$ 59.08	12,939	
16	G-1 - 1.5"	26	1	27	\$ 135.96	3,671	
17	G-1 - 1.5"	264	13	277	\$ 135.96	37,703	
18	G-1 - 2"	92	4	96	\$ 177.59	17,032	
19	G-1 - 2"	810	39	849	\$ 177.59	150,757	
20	G-1 - 3"	115	6	121	\$ 340.07	41,194	
21	G-1 - 3"	307	15	322	\$ 340.07	109,607	
22	Total Customers	<u>2,130</u>	<u>101</u>	<u>2,231</u>			\$ 385,543
	Commodity Usage						
23	First Tier	120,878,000	5,533,666	126,411,666	\$ 2.16	\$ 273,539	
24	Second Tier	106,626,905	5,385,180	112,012,085	\$ 3.26	365,289	
25	Total Usage	<u>227,504,905</u>	<u>10,918,846</u>	<u>238,423,751</u>			\$ 638,827
26	TOTAL COMMERCIAL CUSTOMERS REVENUE						<u>\$ 1,024,370</u>
IRRIGATION CUSTOMERS							
27	Total Customers	<u>395</u>	-	<u>395</u>	No Charge		
	Commodity Usage						
28	All Usage	688,712,000	34,043,548	722,755,548	\$ 1.43	\$ 1,037,087	
29	Total Usage	<u>688,712,000</u>	<u>34,043,548</u>	<u>722,755,548</u>			\$ 1,037,087
30	TOTAL IRRIGATION CUSTOMERS REVENUE						<u>\$ 1,037,087</u>
WHOLESALE CUSTOMERS							
31	PI-1 OWU - All	37	-	37	No Charge		
	Commodity Usage						
32	All Usage	124,738,000	110,095,370	234,833,370	\$ 3.44	\$ 807,272	
33	Total Usage	<u>124,738,000</u>	<u>110,095,370</u>	<u>234,833,370</u>			\$ 807,272
34	TOTAL WHOLESALE CUSTOMERS REVENUE						<u>\$807,272</u>
PRIVATE FIRE PROTECTION CUSTOMERS							
35	FP-1 All - 4"	126	-	126	\$ 64.76	\$ 8,175	
36	FP-1 All - 6"	340	-	340	\$ 97.14	33,022	
37	FP-1 All - 8"	73	-	73	\$ 98.00	7,162	
38	Total Customers	<u>539</u>	-	<u>539</u>			\$ 48,359
	Commodity Usage	124,738,000		124,738,000	No Charge		
39	TOTAL PRIVATE FIRE PROTECTION CUSTOMERS REVENUE						<u>\$ 48,359</u>
41	TOTAL RUCO PROPOSED REVENUE PER BILL COUNT						<u>\$ 7,273,737</u>
42	Unmetered Water Revenues						63,022
43	Other Water Revenues						1,926,437
44	ADJUSTED RUCO PORPOSED REVENUE PER BILL COUNT						<u>9,263,196</u>
45	RUCO PROPOSED ANNUAL REVENUE (RLM-1, Column (B), Line)0)						\$ 9,263,196
46	Difference						\$ 0

TYPICAL RESIDENTIAL BILL ANALYSIS

LINE NO.	DESCRIPTION	(A) PRESENT	(B)	(C) COMPANY PROPOSED	(D)	(E) RUCO PROPOSED	(F)
REVENUE ALLOCATION							
1	RESIDENTIAL	\$ 3,172,855	70.20%	\$ 5,670,354	59.75%	\$ 4,356,648	59.90%
2	OTHER	\$ 1,346,746	29.80%	\$ 3,819,254	40.25%	\$ 2,917,088	40.10%
3	TOTAL	\$ 4,519,601	100.00%	\$ 9,489,608	100.00%	\$ 7,273,737	100.00%
ALLOCATION RATIOS							
4	FIX REVENUE	2,016,921	44.63%	\$ 3,331,634	35.11%	\$ 2,890,149	39.73%
5	VARIABLE REVENUE	2,502,680	55.37%	\$ 6,157,973	64.89%	\$ 4,383,587	60.27%
6	TOTAL	4,519,601	100.00%	\$ 9,489,608	100.00%	\$ 7,273,737	100.00%
RES. G-1 (5/8" X 3/4") RATE DESIGN							
7	BASIC MONTHLY CHARGE	\$ 15.00		\$ 25.75		\$ 19.76	
9	COMMODITY CHARGE						
	First 4,000 Gallons	\$ 1.1300		\$ 1.9250		\$ 1.4771	
	Next 14,000 Gallons	\$ 1.7000		\$ 2.8200		\$ 2.1639	
	Over 18,000 Gallons	\$ 2.0400		\$ 4.2500		\$ 3.2612	
RESIDENTIAL BILL COMPARISONS							
	COST OF WATER SERVICE AT DIFFERENT LEVELS OF USAGE WITH PERCENTAGE INCREASE IN BILL		% OF AVERAGE MONTH USAGE OF 9,022 Gal.	PRESENT MONTHLY WATER COST	RUCO PROP'D MONTHLY WATER COST	RUCO PROP'D MONTHLY INCREASE	RUCO PROP'D MONTHLY % INCREASE
10			25.00%	\$ 17.55	\$ 23.09	\$ 5.54	31.58%
11			50.00%	\$ 20.39	\$ 26.77	\$ 6.38	31.31%
12			100.00%	\$ 28.06	\$ 36.53	\$ 8.48	30.21%
13			150.00%	\$ 35.73	\$ 46.30	\$ 10.57	29.58%
14			200.00%	\$ 43.41	\$ 56.10	\$ 12.70	29.24%

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) CAPITALIZ'N PER COMPANY	(B) RUCO ADJM'TS	(C) RUCO ADJUSTED CAPITALIZ'N	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST RATE
1	DEBT	\$ 25,860,370	\$ -	\$ 25,860,370	60.00%	5.37%	3.22%
2	PREFERRED STOCK	-	-	-	0.00%	0.00%	0.00%
3	COMMON EQUITY	17,240,246	-	17,240,246	40.00%	10.27%	4.11%
4	TOTAL CAPITALIZATION	<u>\$ 43,100,616</u>	<u>\$ -</u>	<u>\$ 43,100,616</u>	<u>100.00%</u>		
5	WEIGHTED COST OF CAPITAL						<u><u>7.33%</u></u>

References:

Columns (A) Thru (F): Testimony, WAR

TABLE OF CONTENTS TO RLM SCHEDULES

SCH. NO.	PAGE NO.	TITLE
RLM-1	1 & 2	REVENUE REQUIREMENT AND GROSS REVENUE CONVERSION FACTOR
RLM-2	1	SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS
RLM-3	1	RATE BASE ADJUSTMENT NO. 1 - ADJUST PRIOR DECISION'S POST TEST-YEAR PLANT
RLM-3	1	RATE BASE ADJUSTMENT NO. 2 - ADJUSTMENT TO GROSS PLANT AND ACCUMULATED DEPRECIATION
RLM-4	1	RATE BASE ADJUSTMENT NO. 3 - REMOVE POST TEST-YEAR CIAC AND AIAC
WATER ONLY		RATE BASE ADJUSTMENT NO. 4 - INTENTIONALLY LEFT BLANK
TESTIMONY		RATE BASE ADJUSTMENT NO. 5 - ADJUST RATE BASE FOR SEWER TREATED AT NW VALLEY TREATMENT PLANT
RLM-5	1	RATE BASE ADJUSTMENT NO. 6 - ALLOWANCE FOR WORKING CAPITAL
RLM-6	1	OPERATING INCOME
RLM-7	1	SUMMARY OF OPERATING INCOME ADJUSTMENTS
RLM-8	1	OPERATING INCOME ADJUSTMENT NO. 1 - PROPERTY TAX COMPUTATION
RLM-9	1	OPERATING INCOME ADJUSTMENT NO. 2 - TEST YEAR DEPRECIATION EXPENSE
RLM-10		OPERATING INCOME ADJUSTMENT NO. 3 - RATE CASE EXPENSE
RLM-11	1	OPERATING INCOME ADJUSTMENT NO. 4 - NORMALIZE ANTHEM DIRECT LABOR AND BENEFITS
RLM-11	1	OPERATING INCOME ADJUSTMENT NO. 5 - NORMALIZE CORPORATE ALLOCATED LABOR AND BENEFITS
RLM-12	1	OPERATING INCOME ADJUSTMENT NO. 6 - REMOVE INAPPROPIRATE MISCELLANEOUS EXPENSES
WATER ONLY		OPERATING INCOME ADJUSTMENT NO. 7 - INTENTIONALLY LEFT BLANK
TESTIMONY		OPERATING INCOME ADJUSTMENT NO. 8 - O & M COSTS TO TREAT SEWER AT NW VALLEY TREATMENT PLANT
RLM-13		OPERATING INCOME ADJUSTMENT NO. 9 - INCOME TAX EXPENSE
RLM-14	1	RATE DESIGN AND PROOF OF RECOMMENDED REVENUE
RLM-15	1	TYPICAL BILL ANALYSIS
RLM-16	1	COST OF CAPITAL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Fair Value Rate Base	\$ 24,636,158	\$ 18,188,546
2	Adjusted Operating Income (Loss)	\$ 517,051	\$ 392,399
3	Current Rate Of Return (L2 / L1)	2.10%	2.16%
4	Required Operating Income (L5 X L1)	\$ 2,052,194	\$ 1,333,220
5	Required Rate Of Return On Fair Value Rate Base	8.33%	7.33%
6	Operating Income Deficiency (L4 - L2)	\$ 1,535,143	\$ 940,821
7	Gross Revenue Conversion Factor (RLM-1, Pg 2)	1.6286	1.6286
8	Increase In Gross Revenue Requirement (L7 X L6)	\$ 2,500,188	\$ 1,532,254
9	Adjusted Test Year Revenue	\$ 6,135,801	\$ 6,135,801
10	Proposed Annual Revenue (L8 + L9)	\$ 8,635,989	\$ 7,668,055
11	Required Percentage Increase In Revenue (L8 / L9)	40.75%	24.97%
12	Rate Of Return On Common Equity	11.75%	10.27%

**REVENUE REQUIREMENT - CONT'D
GROSS REVENUE CONVERSION FACTOR**

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
CALCULATION OF GROSS REVENUE CONVERSION FACTOR:					
1	Revenue	1.0000			
2	Combined Federal And State Tax Rate (L10)	<u>(0.3860)</u>			
3	Subtotal (L1 + L2)	0.6140			
4	Revenue Conversion Factor (L1 / L3)	1.6286			
CALCULATION OF EFFECTIVE TAX RATE:					
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	<u>6.9680%</u>			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	34.0000%			
9	Effective Federal Income Tax Rate (L7 X L8)	<u>31.6309%</u>			
10	Combined Federal And State Income Tax Rate (L6 + L9)	<u>38.5989%</u>			
11	Required Operating Income (Sch. RLM-1, Col. (B), L4)	\$ 1,333,220			
12	Adj'd T.Y. Oper'g Inc. (Loss) (Sch. RLM-1, Col. (B), L2)	<u>392,399</u>			
13	Required Increase In Operating Income (L11 - L12)		\$ 940,821		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	\$ 469,707			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	<u>(121,726)</u>			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		\$ 591,433		
17	Total Required Increase In Revenue (L13 + L16)		<u>\$ 1,532,254</u>		
CALCULATION OF INCOME TAX:					
RUCO					
Recommended					
18	Revenue (Sch. RLM-1, Col. (B), L10)			\$ 7,668,055	
19	Operating Expense Excluding Income Tax (RLM-5, Col. (E), L25 - L24)			(5,865,128)	
20	Synchronized Interest (Col. (C), L37)			<u>(586,035)</u>	
21	Arizona Taxable Income (L18 + L19 + L20)			\$ 1,216,892	
22	Arizona State Income Tax Rate			<u>6.9680%</u>	
23	Arizona Income Tax (L21 X L22)				\$ 84,793
24	Fed. Taxable Income (L21 - L23)			\$ 1,132,099	
25	Fed. Tax On 1st Inc. Bracket (\$1 - \$50,000) @ 15%			\$ 7,500	
26	Fed. Tax On 2nd Inc. Bracket (\$50,001 - \$75,000) @ 25%			6,250	
27	Fed. Tax On 3rd Inc. Bracket (\$75,001 - \$100,000) @ 34%			8,500	
28	Fed. Tax On 4th Inc. Bracket (\$100,001 - \$335,000) @ 39%			91,650	
29	Fed. Tax On 5th Inc. Bracket (\$335,001 - \$10M) @ 34%			271,014	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				\$ 384,914
31	Combined Federal And State Income Tax (L23 + L30)				<u>\$ 469,707</u>
32	Test Year Combined Income Tax, RUCO As Adjusted (RLM-6, Col. (C), L24)				\$ (121,726)
33	RUCO Adjustment (L31 - L32) (See RLM-6, Col. (D), L22)				<u>\$ 591,433</u>
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				34.00%
CALCULATION OF INTEREST SYNCHRONIZATION:					
35	Rate Base (Sch. RLM-2, Col. (H), L15)			\$ 18,188,546	
36	Weighted Avg. Cost Of Debt (Sch. RLM-16, Col. (F), L1)			<u>3.22%</u>	
37	Synchronized Interest (L35 X L36)			<u>\$ 586,035</u>	

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO ADJM'T NO. 1	(C) RUCO ADJM'T NO. 2	(D) RUCO ADJM'T NO. 3	(E) RUCO ADJM'T NO. 4	(F) RUCO ADJM'T NO. 5	(G) RUCO ADJM'T NO. 6	(H) RUCO ADJ'TED OCRB/FVRB
1	Gross Utility Plant In Service	\$ 82,723,060	\$ 419,212	\$ (428,053)	\$ -	\$ -	\$ (131,432)	\$ -	\$ 82,582,787
2	Accumulated Depreciation	(6,175,116)	16,133	(1,733,793)	-	-	46,161	-	(7,846,615)
3	Net Utility Plant In Service (L1 + L2)	<u>\$ 76,547,944</u>	<u>\$ 435,345</u>	<u>\$ (2,161,846)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (85,271)</u>	<u>\$ -</u>	<u>\$ 74,736,172</u>
4	Advances In Aid Of Const.	\$ (42,956,227)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (42,956,227)
5	Contribution In Aid Of Const.	\$ (6,305,605)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6,305,605)
6	Accumulated Amortization Of CIAC	82,882	-	-	-	-	-	-	82,882
7	NET CIAC (L5 + L6)	<u>\$ (6,222,723)</u>	<u>\$ -</u>	<u>\$ (6,222,723)</u>					
8	Imputed Regulatory Advances	\$ (2,930,015)	\$ -	\$ -	\$ (4,515,434)	\$ -	\$ -	\$ -	\$ (7,445,449)
9	Imputed Regulatory Contributions	\$ (212,488)	\$ -	\$ -	\$ (72,770)	\$ -	\$ -	\$ -	\$ (285,258)
10	Customer Meter Deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11	Deferred Income Taxes And Credits	\$ 403,083	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 403,083
12	Investment Tax Credits	\$ (16,377)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (16,377)
13	Allowance For Working Capital	\$ 22,961	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (47,636)	\$ (24,675)
14	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 13)	<u>\$ 24,636,158</u>	<u>\$ 435,345</u>	<u>\$ (2,161,846)</u>	<u>\$ (4,588,204)</u>	<u>\$ -</u>	<u>\$ (85,271)</u>	<u>\$ (47,636)</u>	<u>\$ 18,188,546</u>

References:

- Column (A): Company Schedule B-2, Page 1 And Workpapers Schedule E-1
- Column (B): Adjustment No. 1 - Adjustment To Post Test-Year Plant From Prior Decision (See RLM-3, Page 1, And Testimony, RLM)
- Column (C): Adjustment No. 2 - Adjust Test-Year Gross Plant And Accumulated Depreciation (See RLM-3, Pages 1 Thru 5, And Testimony, RLM)
- Column (D): Adjustment No. 3 - Remove Post Test-Year CIAC And AIAC (See RLM-4)
- Column (E): Adjustment No. 4 - Intentionally Left Blank
- Column (F): Adjustment No. 5 - Remove Adjustment For Sewer Treated At The North West Valley Treatment Plant
- Column (G): Adjustment No. 6 - The Allowance For Working Capital (See RLM-5, Page 1)
- Column (H): Sum Of Columns (A), (B), (C), (D), (E), (F) & (G)

TEST YEAR PLANT SCHEDULES
PRIOR TEST YEAR ENDED DECEMBER 31, 2001

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A)	(B)	(C)	(D)	(E)	(F)	(G)	
			PRIOR DECISION NO. 67093 DEP. RATE	GROSS PLANT	ACCUMULATED DEPRECIATION	PLANT ADJUSTMENT	ACC. DEP. ADJUSTMENT	GROSS PLANT	ACCUMULATED DEPRECIATION	
1		Organization	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2	304100	Struct & Imp SS	2.50%	-	-	-	-	-	-	
3	304510	Struct & Imp AG Cap Lease	1.68%	-	-	-	-	-	-	
4	304600	Struct & Imp Offices	1.68%	-	-	-	-	-	-	
5	304620	Struct & Imp Leasehold	1.68%	-	-	-	-	-	-	
6	340100	Office Furniture & Equip	4.55%	-	-	34,524	-	34,524	-	
7	340200	Comp & Periph Equip	4.55%	-	-	-	-	-	-	
8	340300	Computer Software	4.55%	-	-	-	-	-	-	
9	340330	Comp Software Other	4.55%	-	-	-	-	-	-	
10	341100	Trans Equip Lt Duty Trks	25.00%	-	-	-	-	-	-	
11	341200	Trans Equip Hvy Duty Trks	25.00%	-	-	-	-	-	-	
12	341400	Trans Equip Other	25.00%	-	-	-	-	-	-	
13	342000	Stores Equipment	3.92%	-	-	-	-	-	-	
14	343000	Tools,Shop,Garage Equip	4.14%	-	-	5,227	-	(5,227)	-	
15	346100	Comm Equip Non-Telephone	10.28%	-	-	(4,038)	-	4,038	-	
16	346200	Comm Equip Telephone	10.28%	-	-	-	-	-	-	
17	346300	Comm Equip Other	10.28%	-	-	-	-	-	-	
18	347000	Misc Equipment	4.98%	-	-	-	-	-	-	
19	352000	WW Franchises	0.00%	251,928	-	-	-	251,928	-	
20	353200	WW Land & Ld Rights Coll	0.00%	336,560	-	-	-	336,560	-	
21	353500	WW Land & Ld Rights Gen	0.00%	-	-	4,200	-	(4,200)	-	
22	354200	WW Struct & Imp Coll	1.68%	-	-	-	-	-	-	
23	354400	WW Struct & Imp TDP	1.68%	-	-	-	-	-	-	
24	354500	WW Struct & Imp Gen	1.68%	-	-	636,096	-	636,096	-	
25	360000	WW Collection Sewers Forced	2.07%	1,918	(48)	-	-	1,918	(48)	
26	361100	WW Collecting Mains	2.04%	7,425,125	(146,254)	-	-	7,425,125	(146,254)	
27	362000	WW Special Coll Struct	8.40%	144,988	(32,812)	(4,940)	-	149,928	(32,812)	
28	363000	WW Services Sewer	2.04%	1,170,937	(88,142)	-	-	1,170,937	(88,142)	
29	364000	WW Flow Measuring Devices	5.00%	-	-	-	-	-	-	
30	370000	WW Receiving Wells	5.00%	-	-	-	-	-	-	
31	371100	WW Pump Equip Elect	5.00%	-	-	-	-	-	-	
32	371200	WW Pump Equip Oth Pwr	5.00%	-	-	-	-	-	-	
33	380000	WW TD Equipment	8.40%	90,572	(16,254)	(1,208)	-	91,780	(16,254)	
34	380000	WW TD Equipment	5.00%	6,208	(776)	(2,463)	-	8,671	(776)	
35	380050	WW TD Equip Grit Removal	5.00%	823,719	(20,012)	-	-	823,719	(20,012)	
36	380100	WW Equip Sed Tanks/Acc	5.00%	2,062,401	(93,602)	-	-	2,062,401	(93,602)	
37	380250	WW TD Equip Sludge Dig Tnk	5.00%	-	-	-	-	-	-	
38	380300	WW TD Equip Sludge Dry/Filt	5.00%	8,731,796	(332,046)	-	-	8,731,796	(332,046)	
39	380500	WW TD Equip Chem Trmt Plt	5.00%	891,776	(21,805)	-	-	891,776	(21,805)	
40	380600	WW TD Equip Oth Disp	8.40%	813,269	(20,222)	-	-	813,269	(20,222)	
41	389100	WW Oth Plt & Misc Equip Int	4.98%	-	-	-	-	-	-	
42	390000	WW Office Furniture & Equip	4.55%	-	-	-	-	-	-	
43	393000	WW Tool Shop & Garage Equip	4.14%	-	-	-	-	-	-	
44	394000	WW Laboratory Equipment	3.71%	-	-	37,887	-	37,887	-	
45	395000	WW Power Operated Equip	5.14%	-	-	-	-	-	-	
46	396000	WW Communication Equip	10.28%	-	-	-	-	-	-	
47	398000	WW Other Tangible Plant	4.98%	-	-	-	-	-	-	
48	335000	Agua Fria Hydrants	1.68%	-	-	-	-	-	-	
49	SUB-TOTAL WASTEWATER PLANT IN SERVICE				\$ 22,751,197	\$ (771,974)	\$ 705,285	\$ -	\$ 23,462,926	\$ (771,974)
	CORPORATE AND CENTRAL ALLOCATED PLANT									
50	353500	WW Land & Ld Rights Gen	0.00%	\$ 133	\$ -	\$ (133)	\$ -	\$ -	\$ -	
51	304510	Struct & Imp AG Cap Lease	1.68%	-	-	\$ -	\$ -	\$ -	\$ -	
52	304600	Struct & Imp Offices	1.68%	92,878	(2,287)	(92,878)	2,287	-	-	
53	304620	Struct & Imp Leasehold	1.68%	-	-	-	-	-	-	
54	340100	Office Furniture & Equip	4.55%	43,913	(9,712)	(43,913)	9,712	-	-	
55	340200	Comp & Periph Equip	4.55%	-	-	-	-	-	-	
56	340300	Computer Software	4.55%	53,800	(1,749)	(53,800)	1,749	-	-	
57	340330	Comp Software Other	4.55%	-	-	-	-	-	-	
58	341100	Trans Equip Lt Duty Trks	25.00%	49,105	(1,228)	(49,105)	1,228	-	-	
59	342000	Stores Equipment	3.92%	785	(20)	(785)	20	-	-	
60	343000	Tools,Shop,Garage Equip	4.14%	11,230	(281)	(11,230)	281	-	-	
62	346100	Comm Equip Non-Telephone	10.28%	19,814	(495)	(19,814)	495	-	-	
63	346300	Comm Equip Other	10.28%	-	-	-	-	-	-	
64	347000	Misc Equipment	4.98%	7,570	(189)	(7,570)	189	-	-	
65	394000	WW Laboratory Equipment	3.71%	3,557	(89)	(3,557)	89	-	-	
66	395000	WW Power Operated Equip	5.14%	3,288	(82)	(3,288)	82	-	-	
67	SUB-TOTAL WASTEWATER PLANT IN SERVICE				\$ 286,073	\$ (16,133)	\$ (286,073)	\$ 16,133	\$ -	\$ -
68	TOTAL WASTEWATER PLANT IN SERVICE				\$ 23,037,270	\$ (788,107)	\$ 419,212	\$ 16,133	\$ 23,462,926	\$ (771,974)
69	RUCO Adjustment To Prior Test-Year Gross Plant In Service (See RLM-2, Column (B))						\$ 419,212			
70	RUCO Adjustment To Prior Test-Year Accumulated Depreciation (See RLM-2, Column (B))						\$ 16,133			

References:
Columns (A) (B) (C): Company Schedules B-2, Page 4a Thru B-2, Page 4f
Columns (D) (E): See Testimony, RLM
Column (F): Column (B) - Column (D)
Column (G): Column (C) - Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2002

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A)	(B)	(C)	(D)	(E)	(F)
			PLANT ADDITIONS	PLANT RETIREMENTS	RUCO CALCULATED ANNUAL DEP.	TOTAL PLANT VALUE	ACCUMULATED DEPRECIATION	NET PLANT VALUE
1	0	Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	304100	Struct & Imp SS	-	-	-	-	-	-
3	304510	Struct & Imp AG Cap Lease	-	-	-	-	-	-
4	304600	Struct & Imp Offices	-	-	-	-	-	-
5	304620	Struct & Imp Leasehold	-	-	-	-	-	-
6	340100	Office Furniture & Equip	-	-	(1,569)	34,524	(1,569)	32,955
7	340200	Comp & Periph Equip	-	-	-	-	-	-
8	340300	Computer Software	-	-	-	-	-	-
9	340330	Comp Software Other	-	-	-	-	-	-
10	341100	Trans Equip Lt Duty Trks	-	-	-	-	-	-
11	341200	Trans Equip Hvy Duty Trks	-	-	-	-	-	-
12	341400	Trans Equip Other	-	-	-	-	-	-
13	342000	Stores Equipment	-	-	-	-	-	-
14	343000	Tools,Shop,Garage Equip	-	-	216	(5,227)	216	(5,011)
15	346100	Comm Equip Non-Telephone	-	-	(415)	4,038	(415)	3,623
16	346200	Comm Equip Telephone	-	-	-	-	-	-
17	346300	Comm Equip Other	-	-	-	-	-	-
18	347000	Misc Equipment	-	-	-	-	-	-
19	352000	WW Franchises	-	-	-	251,928	-	251,928
20	353200	WW Land & Ld Rights Coll	-	-	-	336,560	-	336,560
21	353500	WW Land & Ld Rights Gen	-	-	-	(4,200)	-	(4,200)
22	354200	WW Struct & Imp Coll	215,952	-	(1,814)	215,952	(1,814)	214,138
23	354400	WW Struct & Imp TDP	40,506	-	(340)	40,506	(340)	40,166
24	354500	WW Struct & Imp Gen	-	-	(10,686)	636,096	(10,686)	625,410
25	360000	WW Collection Sewers Forced	-	-	(40)	1,918	(88)	1,830
26	361100	WW Collecting Mains	2,974,856	-	(181,816)	10,399,981	(328,070)	10,071,911
27	362000	WW Special Coll Struct	-	-	(12,594)	149,928	(45,406)	104,522
28	363000	WW Services Sewer	401,587	-	(27,983)	1,572,524	(116,126)	1,456,398
29	364000	WW Flow Measuring Devices	4,940	-	(124)	4,940	(124)	4,817
30	370000	WW Receiving Wells	-	-	-	-	-	-
31	371100	WW Pump Equip Elect	6,208	-	(155)	6,208	(155)	6,053
32	371200	WW Pump Equip Oth Pwr	-	-	-	-	-	-
33	380000	WW TD Equipment	-	-	(7,710)	91,780	(23,963)	67,817
34	380000	WW TD Equipment	4,427	-	(544)	13,098	(1,320)	11,778
35	380050	WW TD Equip Grit Removal	1,240	(9,776)	(40,973)	815,183	(70,761)	744,422
36	380100	WW Equip Sed Tanks/Acc	-	-	(103,120)	2,062,401	(196,722)	1,865,679
37	380250	WW TD Equip Sludge Dig Tnk	1,642,169	-	(41,054)	1,642,169	(41,054)	1,601,115
38	380300	WW TD Equip Sludge Dry/Filt	501	-	(436,602)	8,732,297	(768,649)	7,963,648
39	380500	WW TD Equip Chem Trmt Pilt	-	-	(44,589)	891,776	(66,394)	825,382
40	380600	WW TD Equip Oth Disp	-	-	(68,315)	813,269	(88,537)	724,732
41	389100	WW Oth Pilt & Misc Equip Int	-	-	-	-	-	-
42	390000	WW Office Furniture & Equip	-	-	-	-	-	-
43	393000	WW Tool Shop & Garage Equip	-	-	-	-	-	-
44	394000	WW Laboratory Equipment	-	-	(1,406)	37,887	(1,406)	36,481
45	395000	WW Power Operated Equip	-	-	-	-	-	-
46	396000	WW Communication Equip	-	-	-	-	-	-
47	398000	WW Other Tangible Plant	37,008	-	(921)	37,008	(921)	36,087
48	335000	Agua Fria Hydrants	3,920	-	(33)	3,920	(33)	3,887
49	SUB-TOTAL PLANT IN SERVICE		\$ 5,333,314	\$ (9,776)	\$ (982,587)	\$ 28,786,464	\$ (1,764,337)	\$ 27,022,127
CORPORATE AND CENTRAL ALLOCATED PLANT								
50	353500	WW Land & Ld Rights Gen	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
51	304510	Struct & Imp AG Cap Lease	-	-	-	-	-	-
52	304600	Struct & Imp Offices	-	-	-	-	-	-
53	304620	Struct & Imp Leasehold	-	-	-	-	-	-
54	340100	Office Furniture & Equip	57	-	(1)	57	(1)	56
55	340200	Comp & Periph Equip	-	-	-	-	-	-
56	340300	Computer Software	-	-	-	-	-	-
57	340330	Comp Software Other	-	-	-	-	-	-
58	341100	Trans Equip Lt Duty Trks	-	-	-	-	-	-
59	342000	Stores Equipment	-	-	-	-	-	-
60	343000	Tools,Shop,Garage Equip	-	-	-	-	-	-
62	346100	Comm Equip Non-Telephone	-	-	-	-	-	-
63	346300	Comm Equip Other	-	-	-	-	-	-
64	347000	Misc Equipment	-	-	-	-	-	-
65	394000	WW Laboratory Equipment	-	-	-	-	-	-
66	395000	WW Power Operated Equip	-	-	-	-	-	-
67	SUB-TOTAL PLANT IN SERVICE		\$ 57	\$ -	\$ (1)	\$ 57	\$ (1)	\$ 56
68	TOTAL WASTEWATER PLANT IN SERVICE		\$ 5,333,371	\$ (9,776)	\$ (982,588)	\$ 28,786,521	\$ (1,764,338)	\$ 27,022,183

References:

- Columns (A) (B): Company Schedules B-2, Page 4a Thru B-2, Page 4f
- Column (C): [(Col. (A) + Col. (B)) X RLM-3, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-3, Page 1, Col. (F) X RLM-3, Page 1, Col. (A)]
- Column (D): Schedule RLM-3, Page 1, Column (F) + Column (A) + Column (B)
- Column (E): Schedule RLM-3, Page 1, Column (G) + Column (B) + Column (C)
- Column (F): Column (D) - Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2003

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A)	(B)	(C)	(D)	(E)	(F)
			PLANT ADDITIONS	PLANT RETIREMENTS	RUCO CALCULATED ANNUAL DEP.	TOTAL PLANT VALUE	ACCUMULATED DEPRECIATION	NET PLANT VALUE
1	0	Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	304100	Struct & Imp SS	-	-	-	-	-	-
3	304510	Struct & Imp AG Cap Lease	-	-	-	-	-	-
4	304600	Struct & Imp Offices	-	-	-	-	-	-
5	304620	Struct & Imp Leasehold	-	-	-	-	-	-
6	340100	Office Furniture & Equip	-	-	(1,569)	34,524	(3,138)	31,386
7	340200	Comp & Periph Equip	-	-	-	-	-	-
8	340300	Computer Software	-	-	-	-	-	-
9	340330	Comp Software Other	-	-	-	-	-	-
10	341100	Trans Equip Lt Duty Trks	-	-	-	-	-	-
11	341200	Trans Equip Hvy Duty Trks	-	-	-	-	-	-
12	341400	Trans Equip Other	-	-	-	-	-	-
13	342000	Stores Equipment	-	-	-	-	-	-
14	343000	Tools,Shop,Garage Equip	-	-	216	(5,227)	432	(4,795)
15	346100	Comm Equip Non-Telephone	-	-	(415)	4,038	(830)	3,208
16	346200	Comm Equip Telephone	-	-	-	-	-	-
17	346300	Comm Equip Other	-	-	-	-	-	-
18	347000	Misc Equipment	-	-	-	-	-	-
19	352000	WW Franchises	27,244	-	-	279,172	-	279,172
20	353200	WW Land & Ld Rights Coll	-	-	-	336,560	-	336,560
21	353500	WW Land & Ld Rights Gen	-	-	-	(4,200)	-	(4,200)
22	354200	WW Struct & Imp Coll	-	-	(3,628)	215,952	(5,442)	210,510
23	354400	WW Struct & Imp TDP	298,929	-	(3,192)	339,435	(3,532)	335,903
24	354500	WW Struct & Imp Gen	4,492,351	-	(48,422)	5,128,447	(59,109)	5,069,338
25	360000	WW Collection Sewers Forced	-	-	(40)	1,918	(127)	1,791
26	361100	WW Collecting Mains	7,808,551	-	(291,807)	18,208,532	(619,877)	17,588,655
27	362000	WW Special Coll Struct	-	-	(12,594)	149,928	(58,000)	91,928
28	363000	WW Services Sewer	1,015,014	-	(42,433)	2,587,538	(158,558)	2,428,980
29	364000	WW Flow Measuring Devices	98,117	-	(2,700)	103,057	(2,823)	100,234
30	370000	WW Receiving Wells	-	-	-	-	-	-
31	371100	WW Pump Equip Elect	314,559	-	(8,174)	320,767	(8,330)	312,437
32	371200	WW Pump Equip Oth Pwr	-	-	-	-	-	-
33	380000	WW TD Equipment	222,672	-	(17,062)	314,452	(41,025)	273,427
34	380000	WW TD Equipment	-	-	(655)	13,098	(1,975)	11,123
35	380050	WW TD Equip Grit Removal	965,871	-	(64,906)	1,781,054	(135,667)	1,645,387
36	380100	WW Equip Sed Tanks/Acc	-	-	(103,120)	2,062,401	(299,842)	1,762,559
37	380250	WW TD Equip Sludge Dig Tnk	477,154	-	(94,037)	2,119,323	(135,092)	1,984,231
38	380300	WW TD Equip Sludge Dry/Filt	2,380,914	-	(496,138)	11,113,211	(1,264,786)	9,848,425
39	380500	WW TD Equip Chem Trmt Pit	111,843	-	(47,385)	1,003,619	(113,779)	889,840
40	380600	WW TD Equip Oth Disp	4,724	(4,000)	(68,345)	813,993	(160,882)	653,111
41	389100	WW Oth Pit & Misc Equip Int	-	-	-	-	-	-
42	390000	WW Office Furniture & Equip	-	-	-	-	-	-
43	393000	WW Tool Shop & Garage Equip	-	-	-	-	-	-
44	394000	WW Laboratory Equipment	-	-	(1,406)	37,887	(2,811)	35,076
45	395000	WW Power Operated Equip	870,927	-	(22,401)	870,927	(22,401)	848,526
46	396000	WW Communication Equip	52,126	-	(2,679)	52,126	(2,679)	49,447
47	398000	WW Other Tangible Plant	-	-	(1,843)	37,008	(2,764)	34,244
48	335000	Agua Fria Hydrants	(3,920)	-	(33)	-	(66)	(66)
49	SUB-TOTAL PLANT IN SERVICE		\$ 19,137,076	\$ (4,000)	\$ (1,334,767)	\$ 47,919,540	\$ (3,103,104)	\$ 44,816,436
CORPORATE AND CENTRAL ALLOCATED PLANT								
50	353500	WW Land & Ld Rights Gen	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
51	304510	Struct & Imp AG Cap Lease	9,489	-	(80)	9,489	(80)	9,410
52	304600	Struct & Imp Offices	142	-	(1)	142	(1)	141
53	304620	Struct & Imp Leasehold	-	-	-	-	-	-
54	340100	Office Furniture & Equip	-	-	(3)	57	(4)	53
55	340200	Comp & Periph Equip	205	-	(5)	205	(5)	200
56	340300	Computer Software	57,416	-	(1,305)	57,416	(1,305)	56,111
57	340330	Comp Software Other	-	-	-	-	-	-
58	341100	Trans Equip Lt Duty Trks	-	-	-	-	-	-
59	342000	Stores Equipment	-	-	-	-	-	-
60	343000	Tools,Shop,Garage Equip	-	-	-	-	-	-
62	346100	Comm Equip Non-Telephone	11,367	-	(584)	11,367	(584)	10,783
63	346300	Comm Equip Other	235	-	(12)	235	(12)	223
64	347000	Misc Equipment	-	-	-	-	-	-
65	394000	WW Laboratory Equipment	-	-	-	-	-	-
66	395000	WW Power Operated Equip	-	-	-	-	-	-
67	SUB-TOTAL PLANT IN SERVICE		\$ 78,855	\$ -	\$ (1,989)	\$ 78,912	\$ (1,991)	\$ 76,921
68	TOTAL WASTEWATER PLANT IN SERVICE		\$ 19,215,931	\$ (4,000)	\$ (1,336,756)	\$ 47,998,452	\$ (3,105,094)	\$ 44,893,357

References:

- Columns (A) (B): Company Schedules B-2, Page 4a Thru B-2, Page 4f
- Column (C): [(Col. (A) + Col. (B)) X RLM-3, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-3, Page 2, Col. (D) X RLM-3, Page 1, Col. (A)]
- Column (D): Schedule RLM-3, Page 1, Column (F) + Column (A) + Column (B)
- Column (E): Schedule RLM-3, Page 1, Column (G) + Column (B) + Column (C)
- Column (F): Column (D) - Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2004

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A)	(B)	RUCO	(D)	(E)	(F)
			PLANT ADDITIONS	PLANT RETIREMENTS	CALCULATED ANNUAL DEP.	TOTAL PLANT VALUE	ACCUMULATED DEPRECIATION	NET PLANT VALUE
1	0	Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	304100	Struct & Imp SS	-	-	-	-	-	-
3	304510	Struct & Imp AG Cap Lease	-	-	-	-	-	-
4	304600	Struct & Imp Offices	-	-	-	-	-	-
5	304620	Struct & Imp Leasehold	-	-	-	-	-	-
6	340100	Office Furniture & Equip	-	-	(1,569)	34,524	(4,708)	29,816
7	340200	Comp & Periph Equip	-	-	-	-	-	-
8	340300	Computer Software	-	-	-	-	-	-
9	340330	Comp Software Other	-	-	-	-	-	-
10	341100	Trans Equip Lt Duty Trks	-	-	-	-	-	-
11	341200	Trans Equip Hvy Duty Trks	-	-	-	-	-	-
12	341400	Trans Equip Other	-	-	-	-	-	-
13	342000	Stores Equipment	-	-	-	-	-	-
14	343000	Tools,Shop,Garage Equip	-	-	216	(5,227)	648	(4,579)
15	346100	Comm Equip Non-Telephone	-	-	(415)	4,038	(1,245)	2,793
16	346200	Comm Equip Telephone	-	-	-	-	-	-
17	346300	Comm Equip Other	-	-	-	-	-	-
18	347000	Misc Equipment	-	-	-	-	-	-
19	352000	WW Franchises	-	-	-	279,172	-	279,172
20	353200	WW Land & Ld Rights Coll	-	-	-	336,560	-	336,560
21	353500	WW Land & Ld Rights Gen	2,532	-	-	(1,668)	-	(1,668)
22	354200	WW Struct & Imp Coll	(10)	-	(3,628)	215,942	(9,070)	206,872
23	354400	WW Struct & Imp TDP	73,840	-	(6,323)	413,275	(9,855)	403,420
24	354500	WW Struct & Imp Gen	6,125,387	-	(137,611)	11,253,834	(196,720)	11,057,114
25	360000	WW Collection Sewers Forced	2,465,391	-	(25,556)	2,467,309	(25,684)	2,441,625
26	361100	WW Collecting Mains	4,865,472	-	(421,082)	23,074,004	(1,040,959)	22,033,045
27	362000	WW Special Coll Struct	-	-	(12,594)	149,928	(70,594)	79,334
28	363000	WW Services Sewer	559,103	-	(58,489)	3,146,641	(217,047)	2,929,594
29	364000	WW Flow Measuring Devices	4,802	-	(5,273)	107,859	(8,096)	99,763
30	370000	WW Receiving Wells	-	-	-	-	-	-
31	371100	WW Pump Equip Elect	1,597,634	-	(55,979)	1,918,401	(64,309)	1,854,092
32	371200	WW Pump Equip Oth Pwr	-	-	-	-	-	-
33	380000	WW TD Equipment	(16,265)	-	(25,731)	298,187	(66,756)	231,431
34	380000	WW TD Equipment	-	-	(655)	13,098	(2,630)	10,468
35	380050	WW TD Equip Grit Removal	6,846,646	-	(260,219)	8,627,700	(395,885)	8,231,815
36	380100	WW Equip Sed Tanks/Acc	5,798	-	(103,265)	2,068,199	(403,107)	1,665,092
37	380250	WW TD Equip Sludge Dig Tnk	(96,851)	-	(103,545)	2,022,472	(238,636)	1,783,836
38	380300	WW TD Equip Sludge Dry/Filt	76,840	-	(557,582)	11,190,051	(1,822,368)	9,367,683
39	380500	WW TD Equip Chem Trmt Pilt	51,148	-	(51,460)	1,054,767	(165,239)	889,528
40	380600	WW TD Equip Oth Disp	7,531	-	(68,692)	821,524	(229,573)	591,951
41	389100	WW Oth Pilt & Misc Equip Int	995,835	-	(24,796)	995,835	(24,796)	971,039
42	390000	WW Office Furniture & Equip	-	-	-	-	-	-
43	393000	WW Tool Shop & Garage Equip	5,875	-	(122)	5,875	(122)	5,753
44	394000	WW Laboratory Equipment	-	-	(1,406)	37,887	(4,217)	33,670
45	395000	WW Power Operated Equip	-	-	(44,803)	870,927	(67,204)	803,723
46	396000	WW Communication Equip	1,315,494	-	(72,975)	1,367,620	(75,654)	1,291,966
47	398000	WW Other Tangible Plant	922,084	-	(24,803)	959,092	(27,567)	931,525
48	335000	Agua Fria Hydrants	-	-	-	-	(66)	(66)
49	SUB-TOTAL PLANT IN SERVICE		\$ 25,808,286	\$ -	\$ (2,068,354)	\$ 73,727,826	\$ (5,171,458)	\$ 68,556,368
CORPORATE AND CENTRAL ALLOCATED PLANT								
50	353500	WW Land & Ld Rights Gen	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
51	304510	Struct & Imp AG Cap Lease	133	-	(161)	9,622	(240)	9,382
52	304600	Struct & Imp Offices	(142)	-	(1)	1	(2)	(2)
53	304620	Struct & Imp Leasehold	-	-	-	-	-	-
54	340100	Office Furniture & Equip	526	-	(15)	583	(18)	565
55	340200	Comp & Periph Equip	2,118	-	(57)	2,323	(62)	2,261
56	340300	Computer Software	1,015	-	(2,633)	58,430	(3,938)	54,493
57	340330	Comp Software Other	-	-	-	-	-	-
58	341100	Trans Equip Lt Duty Trks	21,018	-	(2,627)	21,018	(2,627)	18,391
59	342000	Stores Equipment	-	-	-	-	-	-
60	343000	Tools,Shop,Garage Equip	1,080	-	(22)	1,080	(22)	1,058
62	346100	Comm Equip Non-Telephone	159	-	(1,176)	11,526	(1,761)	9,765
63	346300	Comm Equip Other	3	-	(24)	239	(36)	202
64	347000	Misc Equipment	-	-	-	-	-	-
65	394000	WW Laboratory Equipment	-	-	-	-	-	-
66	395000	WW Power Operated Equip	-	-	-	-	-	-
67	SUB-TOTAL PLANT IN SERVICE		\$ 25,910	\$ -	\$ (6,717)	\$ 104,822	\$ (8,707)	\$ 96,114
68	TOTAL WASTEWATER PLANT IN SERVICE		\$ 25,834,196	\$ -	\$ (2,075,071)	\$ 73,832,648	\$ (5,180,166)	\$ 68,652,482

References:

- Columns (A) (B): Company Schedules B-2, Page 4a Thru B-2, Page 4f
- Column (C): [(Col. (A) + Col. (B)) X RLM-3, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-3, Page 3, Col. (D) X RLM-3, Page 1, Col. (A)]
- Column (D): Schedule RLM-3, Page 1, Column (F) + Column (A) + Column (B)
- Column (E): Schedule RLM-3, Page 1, Column (G) + Column (B) + Column (C)
- Column (F): Column (D) - Column (E)

TEST YEAR PLANT SCHEDULES - CONT'D
YEAR ENDED DECEMBER 31, 2005

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A)	(B)	(C)	(D)	(E)	(F)
			PLANT ADDITIONS	PLANT RETIREMENTS	RUCO CALCULATED ANNUAL DEP.	TOTAL PLANT VALUE	ACCUMULATED DEPRECIATION	NET PLANT VALUE
1	0	Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	304100	Struct & Imp SS	11,726	-	(147)	11,726	(147)	11,579
3	304510	Struct & Imp AG Cap Lease	-	-	-	-	-	-
4	304600	Struct & Imp Offices	-	-	-	-	-	-
5	304620	Struct & Imp Leasehold	-	-	-	-	-	-
6	340100	Office Furniture & Equip	-	-	(1,569)	34,524	(6,277)	28,247
7	340200	Comp & Periph Equip	16,957	-	(385)	16,957	(385)	16,572
8	340300	Computer Software	-	-	-	-	-	-
9	340330	Comp Software Other	-	-	-	-	-	-
10	341100	Trans Equip Lt Duty Trks	-	-	-	-	-	-
11	341200	Trans Equip Hvy Duty Trks	60,471	-	(7,559)	60,471	(7,559)	52,912
12	341400	Trans Equip Other	8,352	-	(1,044)	8,352	(1,044)	7,308
13	342000	Stores Equipment	-	-	-	-	-	-
14	343000	Tools,Shop,Garage Equip	30,542	-	(415)	25,315	233	25,548
15	346100	Comm Equip Non-Telephone	-	-	(415)	4,038	(1,660)	2,378
16	346200	Comm Equip Telephone	-	-	-	-	-	-
17	346300	Comm Equip Other	-	-	-	-	-	-
18	347000	Misc Equipment	-	-	-	-	-	-
19	352000	WW Franchises	218,285	-	-	497,457	-	497,457
20	353200	WW Land & Ld Rights Coll	15,127	-	-	351,687	-	351,687
21	353500	WW Land & Ld Rights Gen	131,203	-	-	129,535	-	129,535
22	354200	WW Struct & Imp Coll	538,276	-	(8,149)	754,218	(17,219)	736,999
23	354400	WW Struct & Imp TDP	15,295	-	(7,071)	428,570	(16,926)	411,644
24	354500	WW Struct & Imp Gen	(1,106,224)	-	(179,772)	10,147,610	(376,492)	9,771,118
25	360000	WW Collection Sewers Forced	142,996	-	(52,553)	2,610,305	(78,237)	2,532,068
26	361100	WW Collecting Mains	5,706,228	-	(528,913)	28,780,232	(1,569,872)	27,210,360
27	362000	WW Special Coll Struct	-	-	(12,594)	149,928	(83,188)	66,740
28	363000	WW Services Sewer	537,461	-	(69,674)	3,684,102	(286,720)	3,397,382
29	364000	WW Flow Measuring Devices	25,349	-	(6,027)	133,208	(14,123)	119,085
30	370000	WW Receiving Wells	184,940	-	(4,624)	184,940	(4,624)	180,317
31	371100	WW Pump Equip Elect	(274,808)	-	(89,050)	1,643,593	(153,359)	1,490,234
32	371200	WW Pump Equip Oth Pwr	3,463	-	(87)	3,463	(87)	3,376
33	380000	WW TD Equipment	588,480	-	(49,764)	886,667	(116,520)	770,147
34	380000	WW TD Equipment	-	-	(655)	13,098	(3,285)	9,813
35	380050	WW TD Equip Grit Removal	748,778	-	(450,104)	9,376,478	(845,990)	8,530,488
36	380100	WW Equip Sed Tanks/Acc	-	-	(103,410)	2,068,199	(506,517)	1,561,682
37	380250	WW TD Equip Sldge Dig Trnk	21,792	-	(101,668)	2,044,264	(340,305)	1,703,959
38	380300	WW TD Equip Sldge Dry/Filt	20,895	-	(560,025)	11,210,946	(2,382,393)	8,828,553
39	380500	WW TD Equip Chem Trmt Plt	-	-	(52,738)	1,054,767	(217,977)	836,790
40	380600	WW TD Equip Oth Disp	-	-	(69,008)	821,524	(298,581)	522,943
41	389100	WW Oth Plt & Misc Equip Int	2,246	-	(49,649)	998,081	(74,445)	923,636
42	390000	WW Office Furniture & Equip	-	-	-	-	-	-
43	393000	WW Tool Shop & Garage Equip	(254)	-	(238)	5,621	(360)	5,261
44	394000	WW Laboratory Equipment	4,812	-	(1,495)	42,699	(5,712)	36,987
45	395000	WW Power Operated Equip	146,209	-	(48,564)	1,017,136	(115,768)	901,368
46	396000	WW Communication Equip	(509,973)	-	(114,379)	857,647	(190,033)	667,614
47	398000	WW Other Tangible Plant	1,394,966	-	(82,497)	2,354,058	(110,065)	2,243,993
48	335000	Agua Fria Hydrants	-	-	-	-	(66)	(66)
49		SUB-TOTAL PLANT IN SERVICE	\$ 8,683,590	\$ -	\$ (2,654,242)	\$ 82,411,416	\$ (7,825,700)	\$ 74,585,716
CORPORATE AND CENTRAL ALLOCATED PLANT								
50	353500	WW Land & Ld Rights Gen	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
51	304510	Struct & Imp AG Cap Lease	(9,622)	-	(81)	-	(321)	(321)
52	304600	Struct & Imp Offices	1,412	-	(12)	1,413	(14)	1,399
53	304620	Struct & Imp Leasehold	9,768	-	(82)	9,768	(82)	9,686
54	340100	Office Furniture & Equip	14,619	-	(359)	15,202	(377)	14,825
55	340200	Comp & Periph Equip	8,876	-	(307)	11,199	(369)	10,829
56	340300	Computer Software	25,618	-	(3,238)	84,048	(7,176)	76,872
57	340330	Comp Software Other	1,818	-	(41)	1,818	(41)	1,777
58	341100	Trans Equip Lt Duty Trks	13,147	-	(6,898)	34,165	(9,525)	24,640
59	342000	Stores Equipment	-	-	-	-	-	-
60	343000	Tools,Shop,Garage Equip	412	-	(53)	1,492	(76)	1,417
62	346100	Comm Equip Non-Telephone	(2,889)	-	(1,036)	8,636	(2,797)	5,840
63	346300	Comm Equip Other	(329)	-	(8)	(90)	(44)	(134)
64	347000	Misc Equipment	3,719	-	(93)	3,719	(93)	3,626
65	394000	WW Laboratory Equipment	-	-	-	-	-	-
66	395000	WW Power Operated Equip	-	-	-	-	-	-
67		SUB-TOTAL PLANT IN SERVICE	\$ 66,550	\$ -	\$ (12,208)	\$ 171,371	\$ (20,915)	\$ 150,456
68		TOTAL WASTEWATER PLANT IN SERVICE	\$ 8,750,140	\$ -	\$ (2,666,450)	\$ 82,582,787	\$ (7,846,615)	\$ 74,736,172
69		Company As Filed	-	-	-	82,591,628	-	-
70		RUCO Adjustment No. 1 - Adjustment To Prior Test-Year Gross Plant In Service (see RLM-3, Page 1)	-	-	-	419,212	-	-
71		RUCO ADJUSTMENT TO GROSS PLANT IN SERVICE (See RLM-2, Column (C))	-	-	-	(428,053)	-	-
72		Company As Filed	-	-	-	-	(6,128,955)	-
73		RUCO Adjustment No. 1 - Adjustment To Prior Test-Year Accumulated Depreciation (see RLM-3, Page 1)	-	-	-	-	16,133	-
74		RUCO ADJUSTMENT TO ACCUMULATED DEPRECIATION (See RLM-2, Column (C))	-	-	-	-	(1,733,793)	-

References: Columns (A) (B): Company Schedules B-2, Page 4a Thru B-2, Page 4f
Column (C): [(Col. (A) + Col. (B)) X RLM-3, Page 1, Col. (A) X 1/2 yr. conv.] + [RLM-3, Page 4, Col. (D) X RLM-3, Page 1, Col. (A)]
Column (D): Schedule RLM-3, Page 1, Column (F) + Column (A) + Column (B)
Column (E): Schedule RLM-3, Page 1, Column (G) + Column (B) + Column (C)
Column (F): Column (D) - Column (E)

**EXPLANATION OF RATE BASE ADJUSTMENT NO. 4
CALCULATION OF IMPUTED REGULATORY AIAC AND CIAC**

LINE NO.	DESCRIPTION	(A) RUCO ADJUSTMENT	(B)	(C) COMPANY AS FILED	(D) RUCO AS ADJ'TED
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NOTE

The Company Started Amortizing The AIAC & CIAC Imputed Balances On January 1, 2001 Rather Than The Date Stipulated In The Citizens' Acquisition Agreement Of January 15, 2002. The Corrected AIAC & CIAC Imputed Balances For Actual End Of Test Year December 31, 2005 Are As Follows:

AIAC					
1	Beginning Balances On January 15, 2002	\$ 19,045,098			
2	Authorized Amortization Period Of 6.5 Years Equals -15.38%				
3	Amount Amortized For Jan. 15 Thru Dec. 31, 2002	\$ (2,809,603)			
4	Amount Amortized For Jan. 1 Thru Dec. 31, 2003	(2,930,015)			
5	Amount Amortized For Jan. 1 Thru Dec. 31, 2004	(2,930,015)			
6	Amount Amortized For Jan. 1 Thru Dec. 31, 2005	<u>(2,930,015)</u>			
7	Total Amortization Thru December 31, 2004	\$(11,599,649)			
8	TOTAL NET TEST-YEAR AIAC		\$ 7,445,449	\$ 2,930,015	\$ 4,515,434
9	RUCO ADJUSTMENT TO IMPUTED REGULATORY AIAC				<u>\$ 4,515,434</u>
CIAC					
10	Beginning Balances On January 15, 2002	\$ 472,196			
11	Authorized Amortization Period Of 10 Years Equals -10.00%				
12	Amount Amortized For Jan. 15 Thru Dec. 31, 2002	\$ (45,279)			
13	Amount Amortized For Jan. 1 Thru Dec. 31, 2003	(47,220)			
14	Amount Amortized For Jan. 1 Thru Dec. 31, 2004	(47,220)			
15	Amount Amortized For Jan. 1 Thru Dec. 31, 2005	<u>(47,220)</u>			
16	Total Amortization Thru December 31, 2004	\$ (186,938)			
17	TOTAL NET TEST-YEAR CIAC		\$ 285,258	\$ 212,488	\$ 72,770
18	RUCO ADJUSTMENT TO IMPUTED REGULATORY CIAC				<u>\$ 72,770</u>

**EXPLANATION OF RATE BASE ADJUSTMENT NO. 5
ALLOWANCE FOR WORKING CAPITAL**

LINE NO.	DESCRIPTION	(A)	(B)
		AMOUNT	REFERENCE
1	Materials And Supplies As Per Company	\$ 7,648	Company Schedule B-5, PG. 1
2	Materials And Supplies As Per RUCO	7,648	Company Schedule B-5, PG. 1
3	Adjustment	\$ -	Line 2 - Line 1
4	Prepayment As Per Company	\$ 15,313	Company Schedule B-5, PG. 1
5	Prepayment As Per RUCO	15,313	Company Schedule B-5, PG. 1
6	Adjustment	\$ -	Line 5 - Line 4
7	Cash Working Capital As Per Company	\$ -	Company Schedule B-5, PG. 1
8	Cash Working Capital As Per RUCO	(47,636)	RUCO Schedule RLM-5, Page 2
9	Adjustment	\$ (47,636)	Line 8 - Line 7
10	TOTAL ADJUSTMENT (See RLM-2, Column (G))	\$ (47,636)	Sum Lines 3, 6 & 9

**EXPLANATION OF RATE BASE ADJUSTMENT NO. 5 - CONT'D
LEAD/LAG DAY SUMMARY**

LINE NO.	DESCRIPTION	(A) COMPANY EXPENSES AS FILED	(B) RUCO ADJUSTM'TS	(C) RUCO EXPENSES AS ADJUSTED	(D) (LEAD)/LAG DAYS	(E) DOLLAR DAYS
	Appropriate Operating Expenses:					
1	Labor	\$ 504,984	\$ (53,646)	\$ 451,338	12.00	\$ 5,416,056
3	Fuel & Power	453,018	-	453,018	31.70	14,360,671
4	Chemicals	98,672	-	98,672	33.40	3,295,645
5	Waste Disposal	163,269	-	163,269	30.00	4,898,070
6	Management Fees	827,789	-	827,789	(3.88)	(3,211,821)
7	Group Insurance	88,770	-	88,770	(4.64)	(411,893)
8	Pensions	27,724	-	27,724	45.00	1,247,580
9	Insurance Other Than Group	92,795	-	92,795	45.00	4,175,775
10	Customer Accounting	101,712	-	101,712	6.83	694,693
11	Rents	52,821	-	52,821	(10.68)	(564,128)
12	Other Operating Expenses	496,837	(15,004)	481,833	30.00	14,454,977
13	Taxes Other Than Income	52,515	(14,455)	38,060	15.65	595,635
14	Property Taxes	348,574	(93,234)	255,340	212.50	54,259,843
15	Income Tax	(237,148)	706,855	469,707	42.04	19,746,473
16	Interest	-	586,035	586,035	106.52	62,424,442
17	Total Appropriate Operating Expenses	<u>\$ 3,072,332</u>	<u>\$ 1,116,550</u>	<u>\$ 4,188,882</u>		<u>\$ 181,382,016</u>
18	Expense Lag		Line 17, Col. (E) / (C)	43.30		
19	Revenue Lag		Company Workpapers	<u>39.15</u>		
20	Net Lag		Line 19 - Line 18	(4.15)		
21	RUCO Adjusted Expenses		Col. (C), Line 17	<u>\$ 4,188,882</u>		
22	Cash Working Capital		Line 20 X Line 21 / 365 Days	<u>(47,636)</u>		
23	Company As Filed		Co. Schedule B-5, Page 1	-		
24	Difference		Line 22 - Line 23	<u>\$ (47,636)</u>		
25	ADJUSTMENT (See RLM-5, Page 1, L 1)		Line 24	<u>\$ (47,636)</u>		

References:

- Column (A): - Company Schedule C-1, Revised
- Column (B): RUCO Operating Income Adjustments (See Schedule RLM-7)
- Column (C): Column (A) + (B)
- Column (D): RUCO Post-Hearing Position Filed In Arizona-American Mohave Water District As Per Schedule TJC-5, Page 2 Column (B)
- Column (E): Column (C) X Column (D)

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJ'M'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
	Revenues:					
1	Sewer Revenues	\$ 4,483,353	\$ -	\$ 4,483,353	\$ 1,532,254	\$ 6,015,607
2	Other Revenues	1,652,448	-	1,652,448	-	1,652,448
3	TOTAL OPERATING REVENUE	<u>\$ 6,135,801</u>	<u>\$ -</u>	<u>\$ 6,135,801</u>	<u>\$ 1,532,254</u>	<u>\$ 7,668,055</u>
	Operating Expenses:					
4	Labor	\$ 504,984	\$ (53,646)	\$ 451,338	\$ -	\$ 451,338
5	Purchased Water	-	-	-	-	-
6	Fuel & Power	453,018	-	453,018	-	453,018
7	Chemicals	98,672	-	98,672	-	98,672
8	Waste Disposal	163,269	28,507	191,776	-	191,776
9	Management Fees	827,789	-	827,789	-	827,789
10	Group Insurance	88,770	-	88,770	-	88,770
11	Pensions	27,724	-	27,724	-	27,724
12	Regulatory Expense	50,000	(19,340)	30,660	-	30,660
13	Insurance Other Than Group	92,795	-	92,795	-	92,795
14	Customer Accounting	101,712	-	101,712	-	101,712
15	Rents	52,821	-	52,821	-	52,821
16	General Office Expense	60,685	-	60,685	-	60,685
17	Miscellaneous	276,619	(15,004)	261,615	-	261,615
18	Maintenance Expense	159,533	-	159,533	-	159,533
19	Depreciation & Amortization	2,496,417	176,403	2,672,820	-	2,672,820
20	Taxes Other Than Income	52,515	(14,455)	38,060	-	38,060
21	Property Taxes	348,574	(93,234)	255,340	-	255,340
22	Income Tax	(237,148)	115,422	(121,726)	591,433	469,707
23						
24	TOTAL OPERATING EXPENSES	<u>\$ 5,618,749</u>	<u>\$ 124,653</u>	<u>\$ 5,743,402</u>	<u>\$ 591,433</u>	<u>\$ 6,334,834</u>
25	OPERATING INCOME (LOSS)	<u>\$ 517,053</u>		<u>\$ 392,399</u>		<u>\$ 1,333,220</u>

References:

- Column (A): Company Schedule C-1
- Column (B): RLM-7, Columns (B) Thru (D)
- Column (C): Column (A) + Column (B)
- Column (D): RLM-1, Pages 1 & 2
- Column (E): Column (C) + Column (D)

**SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ #1	(C) ADJ #2	(D) ADJ #3	(E) ADJ #4	(F) ADJ #5	(G) ADJ #6	(H) ADJ #7	(I) ADJ #8	(J) ADJ #9	(K) RUCO AS ADJT'D
Revenues:												
1	Sewer Revenues	\$ 4,483,353	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,483,353
2	Other Revenues	1,652,448	-	-	-	-	-	-	-	-	-	1,652,448
3	TOTAL OPR'G REV.	<u>\$ 6,135,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,135,801</u>
Operating Expenses:												
4	Labor	\$ 504,984	\$ -	\$ -	\$ -	\$ (44,592)	\$ (9,054)	\$ -	\$ -	\$ -	\$ -	\$ 451,338
5	Purchased Water	-	-	-	-	-	-	-	-	-	-	-
6	Fuel & Power	453,018	-	-	-	-	-	-	-	-	-	453,018
7	Chemicals	98,672	-	-	-	-	-	-	-	-	-	98,672
8	Waste Disposal	163,269	-	-	-	-	-	-	-	28,507	-	191,776
9	Management Fees	827,789	-	-	-	-	-	-	-	-	-	827,789
10	Group Insurance	88,770	-	-	-	-	-	-	-	-	-	88,770
11	Pensions	27,724	-	-	-	-	-	-	-	-	-	27,724
12	Regulatory Expense	50,000	-	-	(19,340)	-	-	-	-	-	-	30,660
13	Insurance Other Than Group	92,795	-	-	-	-	-	-	-	-	-	92,795
14	Customer Accounting	101,712	-	-	-	-	-	-	-	-	-	101,712
15	Rents	52,821	-	-	-	-	-	-	-	-	-	52,821
16	General Office Expense	60,685	-	-	-	-	-	-	-	-	-	60,685
17	Miscellaneous	276,619	-	-	-	(1,592)	-	(13,413)	-	-	-	261,615
18	Maintenance Expense	159,533	-	-	-	-	-	-	-	-	-	159,533
19	Depreciation & Amortization	2,496,417	-	176,403	-	-	-	-	-	-	-	2,672,820
20	Taxes Other Than Income	52,515	-	-	-	(13,774)	(681)	-	-	-	-	38,060
21	Property Taxes	348,574	(93,234)	-	-	-	-	-	-	-	-	255,340
22	Income Tax	(237,148)	-	-	-	-	-	-	-	-	115,422	(121,726)
23	TOTAL OPR'G EXP.	<u>\$ 5,618,749</u>	<u>\$ (93,234)</u>	<u>\$ 176,403</u>	<u>\$ (19,340)</u>	<u>\$ (59,958)</u>	<u>\$ (9,735)</u>	<u>\$ (13,413)</u>	<u>\$ -</u>	<u>\$ 28,507</u>	<u>\$ 115,422</u>	<u>\$ 5,743,402</u>
24	OPR'G INC. (LOSS)	<u>\$ 517,053</u>										<u>\$ 392,399</u>

ADJUSTMENTS:

- 1 - Property Tax Computation
- 2 - Test-Year Depreciation Expense
- 3 - Rate Case Expense
- 4 - Normalize Direct Payroll & Payroll Benefits
- 5 - Normalize Corporate Payroll & Payroll Benefits
- 6 - Remove Inappropriate Miscellaneous Expenses
- 7 - Intentionally Left Blank
- 8 - O & M Costs Of Sewer Treated At The NW Valley Treatment Plant
- 9 - Income Tax

REFERENCE:

- Testimony, RLM And Schedule RLM-8
- Testimony, RLM And Schedule RLM-9
- Testimony, RLM And Schedule RLM-10
- Testimony, RLM And Schedule RLM-11
- Testimony, RLM And Schedule RLM-11
- Testimony, RLM And Schedule RLM-12
- Testimony, RLM
- Testimony, RLM And Schedule RLM-14

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 1
PROPERTY TAX COMPUTATION**

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
Calculation Of The Company's Full Cash Value:				
Annual Operating Revenues:				
1	Year 2003	Co. Sch. E-6	\$ 4,999,084	
2	Year 2004	Co. Sch. E-6	5,812,844	
3	Year 2005	Co. Sch. E-6	5,152,877	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	\$ 15,964,805	
5	Average Annual Operating Revenues	Line 4 / 3	<u>5,321,602</u>	
6	Two Times Three Year Average Operating Revenues	Line 5 X 2		\$ 10,643,203
ADD:				
10% Of Construction Work In Progress ("CWIP"):				
7	Test Year CWIP	Co. Sch. E-1	\$ 2,224,336	
8	10% Of CWIP	Line 7 X 10%		\$ 222,434
SUBTRACT:				
Transportation At Book Value:				
9	Original Cost Of Transportation Equipment	RLM-3, P 5, C (D), L's 10, 11 & 12	\$ 68,823	
10	Acc. Dep. Of Transportation Equipment	RLM-3, P 5, C (E), L's 10, 11 & 12	<u>(8,603)</u>	
11	Book Value Of Transportation Equipment	Line 9 + Line 10		\$ (60,220)
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		<u>\$ 10,805,417</u>
Calculation Of The Company's Tax Liability:				
MULTIPLY:				
FCV X Valuation Assessment Ratio X Property Tax Rates:				
13	Assessment Ratio	House Bill 2779	24.0%	
14	Assessed Value	Line 12 X Line 13	\$ 2,593,300	
Property Tax Rates:				
15	Primary Tax Rate - 2005 Tax Notice	RUCO Data Req. 1.12	9.85%	
16	Secondary Tax Rate - 2005 Tax Notice	RUCO Data Req. 1.12	<u>0.00%</u>	
17	Estimated Tax Rate Liability	Line 15 + Line 16	9.85%	
18	Company's Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		<u>\$ 255,340</u>
19	Test Year Adjusted Property Tax Expense As Filing	Co. Sch. C-1, Line 24		<u>348,574</u>
20	Decrease In Property Tax Expense	Line 18 - Line 19		<u>\$ (93,234)</u>
21	RUCO Adjustment (See RLM-7, Column (B))	Line 20		<u><u>\$ (93,234)</u></u>

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 2
TEST YEAR DEPRECIATION EXPENSE**

LINE NO.	ACCT. NO.	ACCOUNT NAME	(A)	(B)	(C)
			TOTAL PLANT VALUE	COMPANY PORPOSED DEPRECIATION RATE	TEST YEAR DEPREC'N EXPENSE
1		Organization	\$ -	0.00%	\$ -
2	304100	Struct & Imp SS	11,726	2.50%	293
3	304510	Struct & Imp AG Cap Lease	-	0.00%	-
4	304600	Struct & Imp Offices	-	4.63%	-
5	304620	Struct & Imp Leasehold	-	4.63%	-
6	340100	Office Furniture & Equip	34,524	4.04%	1,395
7	340200	Comp & Periph Equip	16,957	15.89%	2,694
8	340300	Computer Software	-	0.00%	-
9	340330	Comp Software Other	-	0.00%	-
10	341100	Trans Equip Lt Duty Trks	-	0.00%	-
11	341200	Trans Equip Hvy Duty Trks	60,471	25.00%	15,118
12	341400	Trans Equip Other	8,352	25.00%	2,088
13	342000	Stores Equipment	-	0.00%	-
14	343000	Tools,Shop,Garage Equip	25,315	4.47%	1,132
15	346100	Comm Equip Non-Telephone	4,038	9.76%	394
16	346200	Comm Equip Telephone	-	0.00%	-
17	346300	Comm Equip Other	-	0.00%	-
18	347000	Misc Equipment	-	0.00%	-
19	352000	WW Franchises	497,457	0.00%	-
20	353200	WW Land & Ld Rights Coll	351,687	0.00%	-
21	353500	WW Land & Ld Rights Gen	129,535	0.00%	-
22	354200	WW Struct & Imp Coll	754,218	2.50%	18,855
23	354400	WW Struct & Imp TDP	428,570	2.50%	10,714
24	354500	WW Struct & Imp Gen	10,147,610	1.67%	169,465
25	360000	WW Collection Sewers Forced	2,610,305	2.04%	53,250
26	361100	WW Collecting Mains	28,780,232	2.04%	587,117
27	362000	WW Special Coll Struct	149,928	8.40%	12,594
28	363000	WW Services Sewer	3,684,102	2.04%	75,156
29	364000	WW Flow Measuring Devices	133,208	5.42%	7,220
30	370000	WW Receiving Wells	184,940	5.42%	10,024
31	371100	WW Pump Equip Elect	1,643,593	5.42%	89,083
32	371200	WW Pump Equip Oth Pwr	3,463	5.42%	188
33	380000	WW TD Equipment	886,667	5.00%	44,333
34	380000	WW TD Equipment	13,098	5.00%	655
35	380050	WW TD Equip Grit Removal	9,376,478	5.00%	468,824
36	380100	WW Equip Sed Tanks/Acc	2,068,199	5.00%	103,410
37	380250	WW TD Equip Slidge Dig Tnk	2,044,264	5.00%	102,213
38	380300	WW TD Equip Slidge Dry/Filt	11,210,946	5.00%	560,547
39	380500	WW TD Equip Chem Trmt Plt	1,054,767	5.00%	52,738
40	380600	WW TD Equip Oth Disp	821,524	5.00%	41,076
41	389100	WW Oth Plt & Misc Equip Int	998,081	4.98%	49,704
42	390000	WW Office Furniture & Equip	-	4.59%	-
43	393000	WW Tool Shop & Garage Equip	5,621	4.47%	251
44	394000	WW Laboratory Equipment	42,699	3.71%	1,584
45	395000	WW Power Operated Equip	1,017,136	5.88%	59,808
46	396000	WW Communication Equip	857,647	10.30%	88,338
47	398000	WW Other Tangible Plant	2,354,058	5.00%	117,703
48	335000	Agua Fria Hydrants	-	0.00%	-
49	SUB-TOTAL PLANT IN SERVICE		<u>82,411,416</u>		<u>2,747,964</u>
CORPORATE AND CENTRAL ALLOCATED PLANT					
50	353500	WW Land & Ld Rights Gen	-	0.00%	-
51	304510	Struct & Imp AG Cap Lease	-	0.00%	-
52	304600	Struct & Imp Offices	1,413	4.63%	65
53	304620	Struct & Imp Leasehold	9,768	4.63%	452
54	340100	Office Furniture & Equip	15,202	4.04%	614
55	340200	Comp & Periph Equip	11,199	15.89%	1,779
56	340300	Computer Software	84,048	37.71%	31,694
57	340330	Comp Software Other	1,818	37.71%	686
58	341100	Trans Equip Lt Duty Trks	34,165	25.00%	8,541
59	342000	Stores Equipment	-	0.00%	-
60	343000	Tools,Shop,Garage Equip	1,492	3.61%	54
62	346100	Comm Equip Non-Telephone	8,636	9.76%	843
63	346300	Comm Equip Other	(90)	7.91%	(7)
64	347000	Misc Equipment	3,719	0.00%	-
65	394000	WW Laboratory Equipment	-	0.00%	-
66	395000	WW Power Operated Equip	-	0.00%	-
67	SUB-TOTAL PLANT IN SERVICE		<u>171,371</u>		<u>44,722</u>
68	TOTAL WASTEWATER PLANT IN SERVICE		<u>\$ 82,582,787</u>		<u>\$ 2,792,687</u>
69	Less: Amortization Of CIAC				<u>\$ (72,647)</u>
70	Amortization Of Imputed Regulatory CIAC				<u>(47,220)</u>
71	TOTAL DEPRECIATION EXPENSE (Sum Of Lines 68 Thru 70)				<u>\$ 2,672,820</u>
72	Company Test Year Depreciation Expense As Filed (Co. Sch. C-1)				<u>2,496,417</u>
73	Increase Of Depreciation Expense (Line 71 - Line 72)				<u>\$ 176,403</u>
74	RUCO Adjustment (Line 73) (See RLM-7, Column C)				<u>\$ 176,403</u>
References:		Column (A): RLM-3, Page 5, Column (D)			
		Column (B): Company Workpapers			
		Column (C): Column (A) X Column (B)			

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3
RATE CASE EXPENSE**

LINE NO.	DESCRIPTION	(A) COMPANY ESTIMATE	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Company Labor	\$ 79,162	\$ -	\$ 79,162
2	Rate Design & Cost Of Service	143,000	(100,000)	43,000
3	Historical Infrastructure	30,000	-	30,000
4	Cost Of Capital	30,000	-	30,000
5	Miscellaneous Expenses	1,800	-	1,800
6	Rounding	16,038	(16,038)	-
7	Total	<u>\$ 300,000</u>	<u>\$ (116,038)</u>	<u>\$ 183,962</u>
8	Allocation At 50% Anthem Wastewater	<u>\$ 150,000</u>	<u>\$ (58,019)</u>	<u>\$ 91,981</u>
9	Amortization Period - 3 Years			3
10	RUCO Test-Year Adjusted Rate Case Expense			<u>\$ 30,660</u>
11	Company Rate Case Expenses As Filed			<u>\$ 50,000</u>
12	Difference			<u>\$ (19,340)</u>
13	RUCO Adjustment (See RLM-7, Column (D))			<u>\$ (19,340)</u>

References:

- Column (A): Company Schedule C-2, Page 12
- Column (B): Testimony, RLM
- Column (C): Column (A) + Column (B)

**EXPLANATION OF OPERATING INCOME ADJUSTMENTS NO. 4 AND 5
NORMALIZE TEST-YEAR DIRECT PAYROLL AND PAYROLL BENEFITS**

LINE NO.	DESCRIPTION	(A) ANTHEM DIRECT	(B) CORPORATE ALLOCATION
PAYROLL ADJUSTMENT			
1	RUCO Adjusted Anthem Wastewater District Labor Expense	\$ 358,945	\$ 46,201
2	Company Total Normalized Anthem Wastewater District Labor Expense As Filed	403,537	55,255
3	Difference	<u>\$ (44,592)</u>	<u>\$ (9,054)</u>
4	RUCO Payroll Adjustment (See RLM-7, Columns (E) & (F))	<u>\$ (44,592)</u>	<u>\$ (9,054)</u>
401(K) ADJUSTMENT			
5	RUCO Adjusted Anthem Wastewater District 401(K) Expense	\$ 7,511	\$ 914
6	Company Total Normalized Anthem Wastewater District 401(K) Expense As Filed	9,103	914
7	Difference	<u>\$ (1,592)</u>	<u>\$ -</u>
8	RUCO Miscellaneous Adjustment (See RLM-7, Columns (E) & (F))	<u>\$ (1,592)</u>	<u>\$ -</u>
GROUP INSURANCE ADJUSTMENT			
9	RUCO Adjusted Anthem Wastewater District Group Insurance Expense	\$ -	\$ -
10	Company Total Normalized Anthem Wastewater District Group Insurance Expense As Filed	-	-
11	Difference	<u>\$ -</u>	<u>\$ -</u>
12	RUCO Group Insurance Adjustment (See RLM-7, Columns (E) & (F))	<u>\$ -</u>	<u>\$ -</u>
PAYROLL TAXES ADJUSTMENT			
13	RUCO Adjusted Anthem Wastewater District Payroll Taxes Expense	\$ 30,633	\$ 3,654
14	Company Total Normalized Anthem Wastewater District Payroll Taxes Expense As Filed	44,407	4,335
15	Difference	<u>\$ (13,774)</u>	<u>\$ (681)</u>
16	RUCO Taxes Other Than Income Adjustment (See RLM-7, Columns (E) & (F))	<u>\$ (13,774)</u>	<u>\$ (681)</u>

Reference:

Column (A): RUCO Workpapers - "ANTHEM LABOR & 401(K) & PAY TAX" And "ANTHEM DIRECT GROUP INS."
Column (B): RUCO Workpapers - "CORP. LABOR & 401(K) & PAY TAX" And "CORP. GROUP INS."

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6
RUCO ADDITONAL ADJUSTMENTS TO COMPANY'S MISCELLANEOUS EXPENSES**

			(A)
LINE NO.	DESCRIPTION	REFERENCE	AMOUNT
	Miscellaneous Expenses Removed		
1	Anthem Direct	RUCO Workpapers - "Misc. Exp.-Anthem"	\$ (2,534)
2	Corporate	RUCO Workpapers - "Misc. Exp.-Corporate"	(8,010)
3	Central Division	RUCO Workpapers - "Misc. Exp.-Central"	(2,868)
4	Total Miscellaneous Expenses Remove	Sum Of Lines 1 Thru 3	<u>\$ (13,413)</u>
5	RUCO Adjustment (See RLM-7, Column (G))	Line 4	<u>\$ (13,413)</u>

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 5
REMOVAL OF ANTHEM DIRECT INAPPROPRIATE MISCELLANEOUS EXPENSES

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)	
LINE NO.	BUSINESS UNIT	OBJECT	SUBSIDIARY	DESCRIPTION	TASK ORDER	DOC TYPE	DOC TYPE DESCRIPTION	DOC #	MONTH	YEAR	GL DATE	AMOUNT	1ST EXPLANATION	2ND EXPLANATION	P CODE	PRODUCT CODE DESCRIPTION
238501	520100	11		M & S Oper SS		CC	Purchase Card	1111	10	5	09/29/05	\$150.25	DANONE WATERS OF NORTH AM	ARTHUR W FAIELLO	HB00	Beverages
238501	520100	13		M & S Oper WT		CC	Purchase Card	1223	11	5	11/03/05	\$101.43	DANONE WATERS OF NORTH AM	ARTHUR W FAIELLO	HB00	Beverages
238501	536000	13	Contr Svc-Lab Testing Oper WT			CC	Purchase Card	1294	11	5	11/17/05	\$110.20	WATER DELSV 800444PURE	ARTHUR W FAIELLO	HB00	Beverages
238501	575000	13		Misc Oper WT		CC	Purchase Card	398	3	5	03/17/05	\$45.86	20050317	ARTHUR W FAIELLO	HB00	Beverages
238501	575000	13		Misc Oper WT		CC	Purchase Card	572	5	5	05/05/05	\$72.94	20050505	ARTHUR W FAIELLO	HB00	Beverages
238501	575000	13		Misc Oper WT		CC	Purchase Card	663	6	5	06/02/05	\$34.80	20050602	ARTHUR W FAIELLO	HB00	Beverages
238501	575000	13		Misc Oper WT		CC	Purchase Card	740	6	5	06/23/05	\$110.34	DANONE WATERS OF NORTH AM	ARTHUR W FAIELLO	HB00	Beverages
238501	575000	13		Misc Oper WT		CC	Purchase Card	843	7	5	07/21/05	\$63.68	DANONE WATERS OF NORTH AM	ARTHUR W FAIELLO	HB00	Beverages
238501	575000	13		Misc Oper WT		CC	Purchase Card	947	8	5	08/18/05	\$107.79	DANONE WATERS OF NORTH AM	ARTHUR W FAIELLO	HB00	Beverages
238201	575545	13		Lab Supplies WT		PV	Voucher	41100051	7	5	07/21/05	\$20.44	DS Waters of America LP	ACCOUNT #414-58	BB10	Deionized water
238201	520100	13		M & S Oper WT		PV	Voucher	41042039	5	5	05/11/05	\$215.94	Danone Waters of NA Inc - Remi	ACCT # 414-583-	BB10	Deionized water
238201	520100	13		M & S Oper WT		PV	Voucher	41170327	10	5	10/20/05	\$90.84	Danone Waters of NA Inc - Remi	ACCT # 41458304	BB10	Deionized water
238201	520100	13		M & S Oper WT		PV	Voucher	41194657	12	5	11/21/05	\$266.22	DS Waters of America LP	ACCT 414-583-04	BB10	Deionized water
238201	520100	13		M & S Oper WT		PV	Voucher	41019935	4	5	04/15/05	\$125.40	Danone Waters of NA Inc - Remi	ACCT 414-583-04	BB10	Deionized water
238201	520100	13		M & S Oper WT		PV	Voucher	40942859	1	5	01/13/05	\$135.41	Danone Waters of NA Inc - Remi	acct 414583047	BB10	Deionized water
238201	520100	13		M & S Oper WT		PV	Voucher	41078058	6	5	06/23/05	\$72.92	Danone Waters of NA Inc - Remi	acct 414583047	BB10	Deionized water
238201	520100	13		M & S Oper WT		PV	Voucher	40973714	2	5	02/16/05	\$8.91	DS Waters of America LP	ACCT# 414583047	BB10	Deionized water
238501	575000	13		Misc Oper WT		CC	Purchase Card	461	4	5	03/31/05	\$54.79	20050331	ARTHUR W FAIELLO	BB10	Deionized water
238201	520100	13		M & S Oper WT		PV	Voucher	40934194	1	5	01/04/05	\$54.87	Danone Waters of NA Inc - Remi	Supplies	BB10	Deionized water
238501	575350	16		Meals & Travel Deduct		PS	Disbursement Request	41146601	9	5	09/19/05	\$15.00	Huckeby, Nancy J - Petty Cash	After Hrs Meals	HC00	food
238501	575002	16		Misc General Office		CC	Purchase Card	1223	11	5	11/03/05	\$2.63	BASHAS #56 SYW	ARTHUR W FAIELLO	HC00	food
238501	620000	21		M&S Maint SS		CC	Purchase Card	869	8	5	07/28/05	\$26.54	BASHAS #56 SYW	ARTHUR W FAIELLO	HC00	food
238201	575350	16		Meals & Travel Deduct		CC	Purchase Card	820	7	5	07/14/05	\$20.00	NEW CHINA SUPER BUFFET	ERNESTO GARZA	HC00	food
238201	575350	16		Meals & Travel Deduct		CC	Purchase Card	551	5	5	04/28/05	\$7.68	20050428	MICHAEL J RICHINS	HC00	food
238201	575340	16		Employee Expenses AG		CC	Purchase Card	820	7	5	07/14/05	\$218.55	LAQUINTA_PHOENIX	ERNESTO GARZA	TH14	Hotel accommodation
238501	504670	16		Training AG		CC	Purchase Card	894	8	5	08/04/05	\$160.78	H.L.A FRONT DESK	THOMAS D TUCKER	TH14	Hotel accommodation
238201	620000	23		M&S Maint WT		PV	Voucher	40996745	3	5	03/18/05	\$81.08	Grainger -Dept 600-808332266	ACCT 600 808332	CE17	Luminaires for indoor lightin
238501	620000	21		M&S Maint SS		PV	Voucher	40941816	1	5	01/11/05	\$42.15	Grainger -Dept 600-808332266	ACCT 6008083322	CE17	Luminaires for indoor lightin
238201	620000	23		M&S Maint WT		CC	Purchase Card	796	7	5	07/07/05	(\$61.21)	C&I SHOW HRDWRE & SECUR	THOMAS G WINTER	CE17	Luminaires for indoor lightin
238201	620000	23		M&S Maint WT		CC	Purchase Card	593	5	5	05/12/05	\$167.73	20050512	THOMAS G WINTER	CE18	Luminaires for outdoor lighti
238201	620000	23		M&S Maint WT		CC	Purchase Card	726	6	5	06/16/05	\$10.46	FOREIGN CURRENCY FEE	JEFFEREY A MARLOW	TJ52	Other charges
												\$2,534.42				
												\$2,534				

WORKPAPERS
EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6
RUCO ADDITIONAL ADJUSTMENTS TO COMPANY'S MISCELLANEOUS EXPENSES - CORPORATE DIVISION

LINE NO	(A) CATEGORY	(C) AMOUNT	(D)	(E) DESCRIPTION	(F)	(G) RUCO'S CONCERN
1	575998 PCard Undistributed	(15.72)	20050519	MERRY A COOPER	Luminaires for indoor lightin	CO. REMOVED SIMILAR EXPENSES
2	575000 Misc Oper AG	19.10	Airpark Signs & Graphics-PO/RE	LETTERING ONLY FOR PARKS	Signs	"
3	575998 PCard Undistributed	8.04	20050324	MERRY A COOPER	Kitchenware/cutlery	IS THIS AN APPROPRIATE EXPENSE
4	575998 PCard Undistributed	219.26	20050324	MERRY A COOPER	Kitchenware/cutlery	"
5	575030 Advertising	2.80	Direct Impact Marketing	JOB # 200517	Newspapers, magazines, brochu	"
6	575998 PCard Undistributed	450.00	20050428	JAMES A GROOMAN	Newspapers, magazines, brochu	"
7	575998 PCard Undistributed	17.77	WALGREEN	MERRY A COOPER	Hygienic papers	"
8	575998 PCard Undistributed	30.93	20050303	MERRY A COOPER	Hygienic papers	"
9	575998 PCard Undistributed	13.08	OFFICEMAX CT IN	FLOYD K MCKINNEY	Hygienic papers	"
10	575000 Misc Oper AG	171.49	CUSTOM BUTTONS	KATHIE M BELL	Office supplies	"
11	575000 Misc Oper AG	1,191.48	123 EZ TEES INC.	KATHIE M BELL	Office supplies	"
12	575998 PCard Undistributed	31.21	FRAMCO'S ACE HARDWARE	DEAN LANDONI	Office supplies	"
13	504500 Other Welf Oper AG	15.00	Hairston, Anitria-Phoenix-PETT	Flu Shot for Dale Conove	Service Awards and Premiums	CO. REMOVED SIMILAR EXPENSES
14	504500 Other Welf Oper AG	400.00	Keagle, Cory	Holiday Party DJ	Service Awards and Premiums	"
15	575998 PCard Undistributed	27.20	SEE'S CANDY	LARRY A BERRY	Service Awards and Premiums	"
16	575000 Misc Oper AG	115.08	Costco-REMIT	7003-7300-0000-6704	Beverages	IS THIS AN APPROPRIATE EXPENSE
17	575998 PCard Undistributed	16.03	20050324	MERRY A COOPER	Beverages	"
18	575998 PCard Undistributed	243.19	20050324	MERRY A COOPER	Beverages	"
19	575998 PCard Undistributed	23.00	20050415	DEAN LANDONI	Beverages	"
20	575998 PCard Undistributed	98.77	20050428	HECTOR F DELGADILLO	Beverages	"
21	575998 PCard Undistributed	16.73	20050519	MERRY A COOPER	Beverages	"
22	575998 PCard Undistributed	40.00	20050519	MERRY A COOPER	Beverages	"
23	575998 PCard Undistributed	54.48	20050519	MERRY A COOPER	Beverages	"
24	575998 PCard Undistributed	153.17	20050519	MERRY A COOPER	Beverages	"
25	575998 PCard Undistributed	24.15	BASHA'S 16 SYW	MERRY A COOPER	Beverages	"
26	575998 PCard Undistributed	32.38	KARIMS COBBLER SHOP	MERRY A COOPER	Beverages	"
27	575998 PCard Undistributed	33.31	SAFEWAY STORE	MERRY A COOPER	Beverages	"
28	575998 PCard Undistributed	64.29	OFFICEMAX CT IN	FLOYD K MCKINNEY	Beverages	"
29	504620 Employee Physical Exam AG	19.61	20050428	KARL WILKINS	food	CO. REMOVED SIMILAR EXPENSES
30	504670 Training AG	25.00	Huckeby, Nancy J -Petty Cash	Seminar	food	"
31	533000 Contr Svc-Legal Oper AG	36.34	Fennemore Craig - REMIT	FILE# 73244-006	food	"
32	575000 Misc Oper AG	22.73	20050331	NINA E MILLER	food	"
33	575000 Misc Oper AG	24.60	20050331	NINA E MILLER	food	"
34	575625 Overnight Shipping AG	120.73	Aramark Refreshment Services -	CUST 11110	food	"
35	575625 Overnight Shipping AG	11.01	Aramark Refreshment Services -	CUST# 11110	food	"
36	575998 PCard Undistributed	8.50	20041223	MARK CARDOZA	food	"
37	575998 PCard Undistributed	3.70	20040106	MELISSA SADOSKI	food	"
38	575998 PCard Undistributed	6.45	20040106	KARL WILKINS	food	"
39	575998 PCard Undistributed	8.38	20040106	MELISSA SADOSKI	food	"
40	575998 PCard Undistributed	9.35	20040106	MELISSA SADOSKI	food	"
41	575998 PCard Undistributed	10.56	20040106	KARL WILKINS	food	"
42	575998 PCard Undistributed	13.11	20040106	MELISSA SADOSKI	food	"
43	575998 PCard Undistributed	40.92	20040106	MELISSA SADOSKI	food	"
44	575998 PCard Undistributed	98.96	20040106	MELISSA SADOSKI	food	"
45	575998 PCard Undistributed	7.33	20040113	BRIAN BIESEMEYER	food	"
46	575998 PCard Undistributed	8.98	20040113	BRIAN BIESEMEYER	food	"
47	575998 PCard Undistributed	12.25	20040113	DALE E KENNOW	food	"
48	575998 PCard Undistributed	15.13	20040113	DALE E KENNOW	food	"
49	575998 PCard Undistributed	15.13	20040113	DALE E KENNOW	food	"
50	575998 PCard Undistributed	15.13	20040113	DALE E KENNOW	food	"
51	575998 PCard Undistributed	15.13	20040113	DALE E KENNOW	food	"
52	575998 PCard Undistributed	15.13	20040113	DALE E KENNOW	food	"
53	575998 PCard Undistributed	88.00	20040113	BRIAN BIESEMEYER	food	"
54	575998 PCard Undistributed	2.85	20040120	KARL WILKINS	food	"
55	575998 PCard Undistributed	4.66	20040120	KARL WILKINS	food	"
56	575998 PCard Undistributed	5.89	20040120	KARL WILKINS	food	"
57	575998 PCard Undistributed	7.19	20040120	KARL WILKINS	food	"
58	575998 PCard Undistributed	10.99	20040120	KARL WILKINS	food	"
59	575998 PCard Undistributed	13.32	20040120	KARL WILKINS	food	"
60	575998 PCard Undistributed	15.23	20040120	KARL WILKINS	food	"
61	575998 PCard Undistributed	31.61	20040120	KARL WILKINS	food	"
62	575998 PCard Undistributed	40.01	20040120	KARL WILKINS	food	"
63	575998 PCard Undistributed	29.81	20050127	PHYLLIS WINDHAM	food	"
64	575998 PCard Undistributed	24.09	20050217	BRAD W FINKE	food	"
65	575998 PCard Undistributed	26.97	20050217	JUSTIN K RUNDLE	food	"
66	575998 PCard Undistributed	67.09	20050217	BRAD W FINKE	food	"
67	575998 PCard Undistributed	37.81	20050303	TIMOTHY F FRIDAY	food	"
68	575998 PCard Undistributed	10.39	20050317	JEREMIAH MECHAM	food	"
69	575998 PCard Undistributed	16.58	20050324	ROBERT J OSTROV	food	"
70	575998 PCard Undistributed	49.72	20050324	MERRY A COOPER	food	"
71	575998 PCard Undistributed	84.89	20050324	MERRY A COOPER	food	"
72	575998 PCard Undistributed	12.68	20050428	JAMES TAYLOR	food	"
73	575998 PCard Undistributed	55.70	20050428	JAMES TAYLOR	food	"
74	575998 PCard Undistributed	68.83	20050428	JAMES TAYLOR	food	"
75	575998 PCard Undistributed	32.99	20050505	ROBERT C MANNING	food	"
76	575998 PCard Undistributed	2.78	20050512	JAMES ISHMAEL	food	"
77	575998 PCard Undistributed	13.89	20050602	THOMAS M BRODERICK	food	"
78	575998 PCard Undistributed	20.84	20050602	THOMAS M BRODERICK	food	"
79	575998 PCard Undistributed	25.96	20050602	THOMAS M BRODERICK	food	"
80	575998 PCard Undistributed	46.81	20050602	THOMAS M BRODERICK	food	"
81	575998 PCard Undistributed	24.50	BAHAMA BREEZE	JOSEPH E GROSS	food	"
82	575998 PCard Undistributed	25.55	EL PASO BAR B QUE	DOUGLAS J GRIFFITH	food	"
83	575998 PCard Undistributed	17.62	C&I SHOW HRDWRE & SECUR	DANIEL V ZAMORA	food	"
84	575998 PCard Undistributed	24.44	C&I SHOW HRDWRE & SECUR	DALE E KENNOW	food	"
85	575998 PCard Undistributed	21.00	BASHA'S 16 SYW	MERRY A COOPER	food	"
86	575998 PCard Undistributed	24.00	PARADISE BAKERY	MERRY A COOPER	food	"
87	575998 PCard Undistributed	24.38	CHIZONA'S PIZZA LL	MERRY A COOPER	food	"
88	575998 PCard Undistributed	27.98	PINK LOTUS	MERRY A COOPER	food	"
89	575998 PCard Undistributed	34.57	CHIZONA'S PIZZA LL	MERRY A COOPER	food	"
90	575998 PCard Undistributed	61.33	RED LOBSTER US	MERRY A COOPER	food	"

WORKPAPERS
EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6 - CONT'
RUCO ADDITIONAL ADJUSTMENTS TO COMPANY'S MISCELLANEOUS EXPENSES - CORPORATE DIVISION

LINE NO	(A)	(B)	(C)	(D)	(E)	(F)	(G)
		CATEGORY	AMOUNT		DESCRIPTION		RUCO'S CONCERN
91	575998	PCard Undistributed	173.00	PARADISE BAKERY	MERRY A COOPER	food	CO. REMOVED SIMILAR EXPENSES
92	575998	PCard Undistributed	0.57	HLA TRUCK STOP	THOMAS D TUCKER	food	"
93	575998	PCard Undistributed	5.43	HORSEMEN LODGE	THOMAS D TUCKER	food	"
94	575998	PCard Undistributed	5.50	STARBUCKS USA	KARL WILKINS	food	"
95	575998	PCard Undistributed	23.96	CHIZONA'S PIZZA LL	MERRY A COOPER	food	"
96	575998	PCard Undistributed	30.83	STREETS OF NEW YORK	MERRY A COOPER	food	"
97	575998	PCard Undistributed	35.59	MACAYO GOODYEAR	DOUGLAS J GRIFFITH	food	"
98	575998	PCard Undistributed	16.22	PARADISE BAKERY	ALEXANDRA L TRELOAR	food	"
99	575998	PCard Undistributed	75.33	US PIZZA	THOMAS M BENEDICT	food	"
100	575998	PCard Undistributed	10.55	PRIMM VALLEY GALLERY COFF	THOMAS D TUCKER	food	"
101	575998	PCard Undistributed	40.45	SAFEWAY STORE	JAMES TAYLOR	food	"
102	575998	PCard Undistributed	90.12	KFC #1303016	RIGOBERTO CAMACHO	food	"
103	575998	PCard Undistributed	5.40	STARBUCKS USA	KARL WILKINS	food	"
104	575998	PCard Undistributed	7.33	HMSHOST-PHX-AIR	KARL WILKINS	food	"
105	575998	PCard Undistributed	8.60	MCS BUR AIRPORT BAR & RST	KARL WILKINS	food	"
106	575998	PCard Undistributed	30.26	EL TORITO	KARL WILKINS	food	"
107	575998	PCard Undistributed	40.01	ERIC'S	KARL WILKINS	food	"
108	575998	PCard Undistributed	57.43	WHITE EAGLE DELI & RESTA	JAMES TAYLOR	food	"
109	504500	Other Welf Oper AG	41.25	Professional Plants & Inc-PO/R	SERVICES	Useful plants	"
110	575000	Misc Oper AG	48.13	Professional Plants & Inc-PO/R	NEW BROMELIADS	Useful plants	"
111	575000	Misc Oper AG	41.25	Professional Plants & Inc-PO/R	JUNE '05 MONTHLY PLANT S	Ornamental plants	"
112	504500	Other Welf Oper AG	41.25	Professional Plants & Inc-PO/R	SERVICES	Landscaping/Lawn Mowing	"
113	575998	PCard Undistributed	37.27	WELCH TRUE VALUE HDWE	RONALD L EATON	Painting and wall papering wo	IS THIS AN APPROPRIATE EXPENSE
114	575998	PCard Undistributed	294.26	20040106	FRANK RIOS	Cleaning Svcs in the sewerage	IS THIS A WASTEWATER EXPENSE
115	575998	PCard Undistributed	105.00	LEGENDS TECHNICAL SERVICE	JEFFEREY A MARLOW	Waste analyses	"
116	504500	Other Welf Oper AG	965.00	LA TIMES CLASSIFIED	KATHLEEN M WHEAT	Trade fairs and exhibitions	CO. REMOVED SIMILAR EXPENSES
117	575030	Advertising	477.00	Direct Impact Marketing	APP FOR SERVICE	Creative services	"
118	575120	Bill Inserts AG	55.00	Direct Impact Marketing	TAP WATER INSER	Printing Bill Inserts - Z	"
119	575120	Bill Inserts AG	3,657.50	Alcom Printing Group Inc	ACCT 0000027200	Printing Bill Inserts - Z	"
120	575120	Bill Inserts AG	574.09	Advanced Communications Agency	PO # AWAZ09052	Printing Bill Inserts - Z	"
121	575120	Bill Inserts AG	125.00	Direct Impact Marketing	JOB # AWAZ09051	Printing Bill Inserts - Z	"
122	575030	Advertising	4,947.20	Alcom Printing Group Inc	CUST # 68500	Printing Bill Inserts - Z	"
123	575030	Advertising	1,121.69	Direct Impact Marketing	job # awaz296	Printing Bill Inserts - Z	"
124	575120	Bill Inserts AG	165.00	Direct Impact Marketing	ADVERTISING	Printing Bill Inserts - Z	"
125	575120	Bill Inserts AG	2,372.85	Advanced Communications Agency	ADVERTISING	Printing Bill Inserts - Z	"
126	575120	Bill Inserts AG	(2,372.85)	Advanced Communications Agency	ADVERTISING	Printing Bill Inserts - Z	"
127	504500	Other Welf Oper AG	3.85	Independent Newspaper Inc-Dela	finance chg	Other advertising	IS THIS AN APPROPRIATE EXPENSE
128	575030	Advertising	229.95	OnHold Experience	SERVS FEB 2005	Other advertising	CO. REMOVED SIMILAR EXPENSES
129	575030	Advertising	440.00	E S ROCK Partners	ACCT SERVICES	Other advertising	"
130	575030	Advertising	717.41	Advanced Communications Agency	BRICK PACK	Other advertising	"
131	575030	Advertising	210.00	Direct Impact Marketing	JOB # AWAZ327	Other advertising	"
132	575030	Advertising	678.00	Direct Impact Marketing	job aw az293	Other advertising	"
133	575130	Brochures and Handouts	1,552.82	Serious Signs & Specialities -	JOB # 16123	Other advertising	"
134	575625	Overnight Shipping AG	73.66	United Parcel Service-REMIT	ACCT Y25653464	Printing and binding services	"
135	575030	Advertising	240.00	Direct Impact Marketing	GRAPHIC DESIGN	Graphical services	"
136	575030	Advertising	330.00	E S ROCK Partners	Job #Amer288	Graphical services	"
137	504500	Other Welf Oper AG	205.31	20040106	KATHLEEN M WHEAT	Printing products for adverti	IS THIS AN APPROPRIATE EXPENSE
138	504500	Other Welf Oper AG	329.97	20040106	KATHLEEN M WHEAT	Printing products for adverti	"
139	504500	Other Welf Oper AG	778.42	20040106	KATHLEEN M WHEAT	Printing products for adverti	"
140	504500	Other Welf Oper AG	1,106.62	20040106	KATHLEEN M WHEAT	Printing products for adverti	"
141	504500	Other Welf Oper AG	1,906.48	20040106	KATHLEEN M WHEAT	Printing products for adverti	"
142	504500	Other Welf Oper AG	4,835.47	20040106	KATHLEEN M WHEAT	Printing products for adverti	"
143	575460	Grounds Keeping AG	222.12	Roadrunner Printing - REMIT	PRINTING MATERI	Printing and binding services	CO. REMOVED SIMILAR EXPENSES
144	504500	Other Welf Oper AG	640.50	20050331	LINDA C STILLMAN	Removals	IS THIS AN APPROPRIATE EXPENSE
145	575998	PCard Undistributed	27.00	20041223	MARK CARDOZA	Passenger Transport Svcs	"
146	575998	PCard Undistributed	27.00	20041223	MARK CARDOZA	Passenger Transport Svcs	"
147	575998	PCard Undistributed	5.00	AMEXFEE	PHYLLIS WINDHAM	Travel agency services	"
148	575998	PCard Undistributed	5.00	AMEXFEE	KARL WILKINS	Travel agency services	"
149	504620	Employee Physical Exam AG	71.63	20050428	KARL WILKINS	Car rentals	"
150	550000	Trans Oper AG	21.87	Hairston, Anitria-Phoenix-PETT	Mileage	Car rentals	"
151	550000	Trans Oper AG	40.00	Hairston, Anitria-Phoenix-PETT	Parking	Car rentals	"
152	550000	Trans Oper AG	16.50	GIANT	BRIAN VANDENSON	Car rentals	"
153	575998	PCard Undistributed	32.00	20040106	MELISSA SADOSKI	Car rentals	"
154	575998	PCard Undistributed	415.15	20040106	KARL WILKINS	Car rentals	"
155	575998	PCard Undistributed	(21.45)	20040113	JAMES TAYLOR	Car rentals	"
156	575998	PCard Undistributed	130.95	20040113	BRIAN BIESEMEYER	Car rentals	"
157	575998	PCard Undistributed	695.06	20040113	JAMES TAYLOR	Car rentals	"
158	575998	PCard Undistributed	141.15	20040120	KARL WILKINS	Car rentals	"
159	575998	PCard Undistributed	232.53	20040120	KARL WILKINS	Car rentals	"
160	575998	PCard Undistributed	139.21	NATIONAL CAR RENTAL	KARL WILKINS	Car rentals	"
161	575998	PCard Undistributed	253.56	AVIS RENT-A-CAR	KARL WILKINS	Car rentals	"
162	575998	PCard Undistributed	154.24	20041223	MARK CARDOZA	Hotel accomodation	"
163	575998	PCard Undistributed	169.66	20041223	STEVE URAINE	Hotel accomodation	"
164	575998	PCard Undistributed	0.05	20040106	KARL WILKINS	Hotel accomodation	"
165	575998	PCard Undistributed	64.30	20040106	MARK CARDOZA	Hotel accomodation	"
166	575998	PCard Undistributed	344.85	20040106	KARL WILKINS	Hotel accomodation	"
167	575998	PCard Undistributed	345.10	20040106	KARL WILKINS	Hotel accomodation	"
168	575998	PCard Undistributed	660.38	20040106	KARL WILKINS	Hotel accomodation	"
169	575998	PCard Undistributed	662.85	20040106	KARL WILKINS	Hotel accomodation	"
170	575998	PCard Undistributed	169.66	20040113	BRIAN BIESEMEYER	Hotel accomodation	"
171	575998	PCard Undistributed	11.49	20040120	KARL WILKINS	Hotel accomodation	"
172	575998	PCard Undistributed	94.90	20040120	KARL WILKINS	Hotel accomodation	"
173	575998	PCard Undistributed	201.95	20040120	KARL WILKINS	Hotel accomodation	"
174	575998	PCard Undistributed	171.86	20050421	AMY YATES	Hotel accomodation	"
175	575998	PCard Undistributed	154.56	BEST WESTERN MOTELS	RAYMOND MAHONEY	Hotel accomodation	"
176	575998	PCard Undistributed	267.30	PALM GARDEN HOTEL	KARL WILKINS	Hotel accomodation	"
177	504670	Training AG	5.00	AMEXFEE	BRADLEY J COLE	Air/rail travel	"
178	504670	Training AG	194.40	FRONTIERAIR	BRADLEY J COLE	Air/rail travel	"
179	575998	PCard Undistributed	50.00	20040106	KARL WILKINS	Air/rail travel	"
180	575998	PCard Undistributed	80.00	20040106	KARL WILKINS	Air/rail travel	"
181	575998	PCard Undistributed	(5.00)	20040120	PHYLLIS WINDHAM	Air/rail travel	"
182	575998	PCard Undistributed	5.00	20040120	PHYLLIS WINDHAM	Air/rail travel	"

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RUCO ADDITIONAL ADJUSTMENTS TO COMPANY'S MISCELLANEOUS EXPENSES - CORPORATE DIVISION

LINE NO	(A)	(B)	(C)	(D)	(E)	(F)	(G)
	CATEGORY	AMOUNT		DESCRIPTION		RUCO'S CONCERN	
183	575998	PCard Undistributed	5.00	20040120	PHYLLIS WINDHAM	Air/rail travel	IS THIS AN APPROPRIATE EXPENSE
184	575998	PCard Undistributed	5.00	20040120	PHYLLIS WINDHAM	Air/rail travel	"
185	575998	PCard Undistributed	5.00	20040120	PHYLLIS WINDHAM	Air/rail travel	"
186	575998	PCard Undistributed	5.00	20040120	PHYLLIS WINDHAM	Air/rail travel	"
187	575998	PCard Undistributed	171.10	20040120	PHYLLIS WINDHAM	Air/rail travel	"
188	575998	PCard Undistributed	242.70	20040120	PHYLLIS WINDHAM	Air/rail travel	"
189	575998	PCard Undistributed	309.20	20040120	KARL WILKINS	Air/rail travel	"
190	575998	PCard Undistributed	509.10	20040120	PHYLLIS WINDHAM	Air/rail travel	"
191	575998	PCard Undistributed	622.04	20040120	PHYLLIS WINDHAM	Air/rail travel	"
192	575998	PCard Undistributed	5.00	20050127	PHYLLIS WINDHAM	Air/rail travel	"
193	575998	PCard Undistributed	5.00	20050127	PHYLLIS WINDHAM	Air/rail travel	"
194	575998	PCard Undistributed	5.00	20050127	PHYLLIS WINDHAM	Air/rail travel	"
195	575998	PCard Undistributed	5.00	20050127	PHYLLIS WINDHAM	Air/rail travel	"
196	575998	PCard Undistributed	243.60	20050127	PHYLLIS WINDHAM	Air/rail travel	"
197	575998	PCard Undistributed	243.60	20050127	PHYLLIS WINDHAM	Air/rail travel	"
198	575998	PCard Undistributed	362.40	20050127	PHYLLIS WINDHAM	Air/rail travel	"
199	575998	PCard Undistributed	362.40	20050127	PHYLLIS WINDHAM	Air/rail travel	"
200	575998	PCard Undistributed	364.29	20050127	PHYLLIS WINDHAM	Air/rail travel	"
201	575998	PCard Undistributed	(622.04)	20050127	PHYLLIS WINDHAM	Air/rail travel	"
202	575998	PCard Undistributed	40.11	20050303	PHYLLIS WINDHAM	Air/rail travel	"
203	575998	PCard Undistributed	76.80	20050303	PHYLLIS WINDHAM	Air/rail travel	"
204	575998	PCard Undistributed	5.00	20050310	MARK CARDOZA	Air/rail travel	"
205	575998	PCard Undistributed	385.60	20050310	MARK CARDOZA	Air/rail travel	"
206	575998	PCard Undistributed	99.20	20050317	BRAD W FINKE	Air/rail travel	"
207	575998	PCard Undistributed	309.20	20050317	BRAD W FINKE	Air/rail travel	"
208	575998	PCard Undistributed	299.20	20050407	PHYLLIS WINDHAM	Air/rail travel	"
209	575998	PCard Undistributed	195.20	20050421	KARL WILKINS	Air/rail travel	"
210	575998	PCard Undistributed	5.00	20050428	JAMES TAYLOR	Air/rail travel	"
211	575998	PCard Undistributed	473.10	20050428	JAMES TAYLOR	Air/rail travel	"
212	575998	PCard Undistributed	312.40	SOUTHWESTAIR	PHYLLIS WINDHAM	Air/rail travel	"
213	575998	PCard Undistributed	50.00	AMERWESTAIR	KARL WILKINS	Air/rail travel	"
214	504620	Employee Physical Exam AG	1.00	20050428	KARL WILKINS	Travel Incidentals	"
215	500000	Trans Oper AG	75.61	Hairston, Anitria-Phoenix-PETT	Parking Reimbursements	Travel Incidentals	"
216	500000	Trans Oper AG	21.88	SHELL OIL	LINDA C STILLMAN	Travel Incidentals	"
217	500000	Trans Oper AG	9.00	SHELL OIL	LINDA C STILLMAN	Travel Incidentals	"
218	575240	Co Dues/Membership Deduct	25.00	Huckeby, Nancy J -Petty Cash	Dues	Travel Incidentals	"
219	575998	PCard Undistributed	15.00	20041223	STEVE URAINE	Travel Incidentals	"
220	575998	PCard Undistributed	168.00	20040106	KARL WILKINS	Travel Incidentals	"
221	575998	PCard Undistributed	3.00	20040113	JAMES TAYLOR	Travel Incidentals	"
222	575998	PCard Undistributed	30.00	20040113	JAMES TAYLOR	Travel Incidentals	"
223	575998	PCard Undistributed	15.00	20050310	MARK CARDOZA	Travel Incidentals	"
224	575998	PCard Undistributed	34.00	SUPERSHUTTLE PHX	KENNETH S BEAN	Travel Incidentals	"
225	575998	PCard Undistributed	48.00	SKY HARBOR AIRPORT T	NINA E MILLER	Travel Incidentals	"
226	575998	PCard Undistributed	39.00	SKY HARBOR AIRPORT T	KARL WILKINS	Travel Incidentals	"
227	533000	Contr Svc-Legal Oper AG	213.50	Fennemore Craig - REMIT	FILE 73244006NJAM	Supply of technical personnel	C.O. REMOVED SIMILAR EXPENSES
228	533000	Contr Svc-Legal Oper AG	648.33	Fennemore Craig - REMIT	FILE 73244001NJAM	Supply of technical personnel	"
229	533000	Contr Svc-Legal Oper AG	943.89	Fennemore Craig - REMIT	FILE 73244001	Supply of technical personnel	"
230	533000	Contr Svc-Legal Oper AG	422.50	Fennemore Craig - REMIT	3RD MANAGEMENT	Supply of technical personnel	"
231	533000	Contr Svc-Legal Oper AG	1,468.90	Fennemore Craig - REMIT	THIRD MANAGEMENT	Supply of technical personnel	"
232	550001	Trans Oper AG Lease Cost	7.05	Automotive Rentals Inc -ACH ON	5D70 M34420	Passenger Vehicle Lease	IS THIS AN APPROPRIATE EXPENSE
233	535000	Contr Svc-Other Oper AG	490.05	Oscar Larson Associates - PO/R	PROJECT 151035	Management consulting fees	"
234	535000	Contr Svc-Other Oper AG	490.05	Oscar Larson Associates - PO/R	PROJECT 151035	Management consulting fees	"
235	533000	Contr Svc-Legal Oper AG	88.50	Fennemore Craig - REMIT	FILE NO 73244055JB	O/S Legal Services, Other Law	"
236	533000	Contr Svc-Legal Oper AG	1,339.79	Fennemore Craig - REMIT	file#73244001njam	O/S Legal Services, Other Law	C.O. REMOVED SIMILAR EXPENSES
237	533000	Contr Svc-Legal Oper AG	1,342.28	Fennemore Craig - REMIT	4/22/05 POSTAGE	O/S Legal Services, Other Law	"
238	533000	Contr Svc-Legal Oper AG	353.66	Fennemore Craig - REMIT	FILE# 73244001N	O/S Legal Services, Other Law	"
239	533000	Contr Svc-Legal Oper AG	63.80	Fennemore Craig - REMIT	GENERAL SERVICE	O/S Legal Services, Other Law	"
240	533000	Contr Svc-Legal Oper AG	102.80	Fennemore Craig - REMIT	client 73244 ma	O/S Legal Services, Other Law	"
241	575490	Injuries and Damages	12,000.00	Combs Law Group Inc	AF WP 4 Sound Enclos	O/S Legal Services, Other Law	"
242	575000	Misc Oper AG	3,000.00	Moody's Investors Service-REMI	CUST 300105166	Bank references	"
243	504500	Other Welf Oper AG	139.99	20040106	KATHLEEN M WHEAT	Newspaper Advertisements	IS THIS AN APPROPRIATE EXPENSE
244	504500	Other Welf Oper AG	2,167.20	The Bakersfield Californian	1CAW00	Newspaper Advertisements	"
245	504500	Other Welf Oper AG	83.33	20050127	KATHLEEN M WHEAT	Newspaper Advertisements	"
246	504500	Other Welf Oper AG	255.96	20050127	KATHLEEN M WHEAT	Newspaper Advertisements	"
247	504500	Other Welf Oper AG	778.42	20050127	KATHLEEN M WHEAT	Newspaper Advertisements	"
248	504500	Other Welf Oper AG	1,083.22	20050127	KATHLEEN M WHEAT	Newspaper Advertisements	"
249	504500	Other Welf Oper AG	2,333.10	20050127	KATHLEEN M WHEAT	Newspaper Advertisements	"
250	504500	Other Welf Oper AG	3,004.05	20050127	KATHLEEN M WHEAT	Newspaper Advertisements	"
251	504500	Other Welf Oper AG	49.99	20050310	KATHLEEN M WHEAT	Newspaper Advertisements	"
252	504500	Other Welf Oper AG	50.39	20050310	KATHLEEN M WHEAT	Newspaper Advertisements	"
253	504500	Other Welf Oper AG	139.99	20050310	KATHLEEN M WHEAT	Newspaper Advertisements	"
254	504500	Other Welf Oper AG	499.95	20050310	KATHLEEN M WHEAT	Newspaper Advertisements	"
255	504500	Other Welf Oper AG	777.69	20050310	KATHLEEN M WHEAT	Newspaper Advertisements	"
256	504500	Other Welf Oper AG	75.00	CRAIGSLIST ORG 01 OF	KATHLEEN M WHEAT	Newspaper Advertisements	"
257	504500	Other Welf Oper AG	138.81	COP UNION TRB ADVSTNG	KATHLEEN M WHEAT	Newspaper Advertisements	"
258	504500	Other Welf Oper AG	138.81	COP UNION TRB ADVSTNG	KATHLEEN M WHEAT	Newspaper Advertisements	"
259	504500	Other Welf Oper AG	500.00	PUBLIC RELATIONS SOCIETY	KATHLEEN M WHEAT	Newspaper Advertisements	"
260	504500	Other Welf Oper AG	535.58	S J MERCURY NEWS EGIL	KATHLEEN M WHEAT	Newspaper Advertisements	"
261	504500	Other Welf Oper AG	1,725.00	CAREERBUILDER COM	KATHLEEN M WHEAT	Newspaper Advertisements	"
262	504500	Other Welf Oper AG	1,020.78	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"
263	504500	Other Welf Oper AG	18.75	CAREER SITE CORP	KATHLEEN M WHEAT	Newspaper Advertisements	"
264	504500	Other Welf Oper AG	27.00	ONLINE JOB SOURCE INC	KATHLEEN M WHEAT	Newspaper Advertisements	"
265	504500	Other Welf Oper AG	62.50	CAREER SITE CORP	KATHLEEN M WHEAT	Newspaper Advertisements	"
266	504500	Other Welf Oper AG	285.80	HOUSTON CHRONICLE-ADVERT	KATHLEEN M WHEAT	Newspaper Advertisements	"
267	504500	Other Welf Oper AG	493.90	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"
268	504500	Other Welf Oper AG	648.75	MILITARY COMMUNICATION SP	KATHLEEN M WHEAT	Newspaper Advertisements	"
269	504500	Other Welf Oper AG	50.00	BROWN AND CALDWELL	KATHLEEN M WHEAT	Newspaper Advertisements	"
270	504500	Other Welf Oper AG	50.00	BROWN AND CALDWELL	KATHLEEN M WHEAT	Newspaper Advertisements	"
271	504500	Other Welf Oper AG	137.50	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"
272	504500	Other Welf Oper AG	357.50	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"
273	504500	Other Welf Oper AG	375.00	K-TECH INC.	KATHLEEN M WHEAT	Newspaper Advertisements	"
274	504500	Other Welf Oper AG	410.20	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"

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RUCO ADDITIONAL ADJUSTMENTS TO COMPANY'S MISCELLANEOUS EXPENSES - CORPORATE DIVISION

LINE NO	(A)	(B)	(C)	(D)	(E)	(F)	(G)
	CATEGORY	AMOUNT	DESCRIPTION			RUCO'S CONCERN	
275	504500	Other Welf Oper AG	437.50	JOBMARK.COM	KATHLEEN M WHEAT	Newspaper Advertisements	IS THIS AN APPROPRIATE EXPENSE
276	504500	Other Welf Oper AG	493.90	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"
277	504500	Other Welf Oper AG	580.50	HOUSTON CHRONICLE-ADVERT	KATHLEEN M WHEAT	Newspaper Advertisements	"
278	504500	Other Welf Oper AG	862.50	CAREERBUILDER.COM	KATHLEEN M WHEAT	Newspaper Advertisements	"
279	504500	Other Welf Oper AG	62.50	JOBMARK.COM	KATHLEEN M WHEAT	Newspaper Advertisements	"
280	504500	Other Welf Oper AG	529.45	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"
281	504500	Other Welf Oper AG	862.50	CAREERBUILDER.COM	KATHLEEN M WHEAT	Newspaper Advertisements	"
282	504500	Other Welf Oper AG	22.80	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"
283	504500	Other Welf Oper AG	99.45	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"
284	504500	Other Welf Oper AG	130.00	JOBS AVAILABLE INC	KATHLEEN M WHEAT	Newspaper Advertisements	"
285	504500	Other Welf Oper AG	137.50	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"
286	504500	Other Welf Oper AG	137.50	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"
287	504500	Other Welf Oper AG	343.75	JOBMARK.COM	KATHLEEN M WHEAT	Newspaper Advertisements	"
288	504500	Other Welf Oper AG	400.75	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"
289	504500	Other Welf Oper AG	405.31	COP UNION TRB ADVSTNG	KATHLEEN M WHEAT	Newspaper Advertisements	"
290	504500	Other Welf Oper AG	448.50	AZ CAREER SEARCH, LLC	KATHLEEN M WHEAT	Newspaper Advertisements	"
291	504500	Other Welf Oper AG	474.55	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"
292	504500	Other Welf Oper AG	837.25	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"
293	504500	Other Welf Oper AG	862.50	CAREERBUILDER.COM	KATHLEEN M WHEAT	Newspaper Advertisements	"
294	504500	Other Welf Oper AG	887.11	COP UNION TRB ADVSTNG	KATHLEEN M WHEAT	Newspaper Advertisements	"
295	504500	Other Welf Oper AG	960.24	THE RECORDER	KATHLEEN M WHEAT	Newspaper Advertisements	"
296	504500	Other Welf Oper AG	962.74	THE RECORDER	KATHLEEN M WHEAT	Newspaper Advertisements	"
297	504500	Other Welf Oper AG	18.75	CAREER SITE CORP	KATHLEEN M WHEAT	Newspaper Advertisements	"
298	504500	Other Welf Oper AG	50.00	BROWN AND CALDWELL	KATHLEEN M WHEAT	Newspaper Advertisements	"
299	504500	Other Welf Oper AG	50.00	BROWN AND CALDWELL CORPOR	KATHLEEN M WHEAT	Newspaper Advertisements	"
300	504500	Other Welf Oper AG	50.00	BROWN AND CALDWELL CORPOR	KATHLEEN M WHEAT	Newspaper Advertisements	"
301	504500	Other Welf Oper AG	62.50	ADICIO, INC	KATHLEEN M WHEAT	Newspaper Advertisements	"
302	504500	Other Welf Oper AG	63.00	ASSOC CA WATER AGENCIES (KATHLEEN M WHEAT	Newspaper Advertisements	"
303	504500	Other Welf Oper AG	75.00	BOXWOOD CAREER CENTER	KATHLEEN M WHEAT	Newspaper Advertisements	"
304	504500	Other Welf Oper AG	220.00	ASSOC CA WATER AGENCIES (KATHLEEN M WHEAT	Newspaper Advertisements	"
305	504500	Other Welf Oper AG	439.90	THE BEE ADVERTISING	KATHLEEN M WHEAT	Newspaper Advertisements	"
306	504500	Other Welf Oper AG	650.00	RENARD COMMUNICATIONS,	KATHLEEN M WHEAT	Newspaper Advertisements	"
307	504500	Other Welf Oper AG	887.11	COP UNION TRB ADVSTNG	KATHLEEN M WHEAT	Newspaper Advertisements	"
308	504500	Other Welf Oper AG	1,521.25	LA TIMES CLASSIFIED	KATHLEEN M WHEAT	Newspaper Advertisements	"
309	575030	Advertising	220.00	E S ROCK Partners	Captures Misc Ads for AZ	Newspaper Advertisements	"
310	575030	Advertising	300.00	Woodenship Advertising & Publi	Latino Journal Ad Jan 20	Newspaper Advertisements	"
311	575998	PCard Undistributed	9.19	20040106	KARL WILKINS	Catering/works catering	"
312	575998	PCard Undistributed	9.89	20040106	KARL WILKINS	Catering/works catering	"
313	575998	PCard Undistributed	14.40	20040106	KARL WILKINS	Catering/works catering	"
314	575998	PCard Undistributed	17.13	20040106	KARL WILKINS	Catering/works catering	"
315	575998	PCard Undistributed	19.05	20040106	KARL WILKINS	Catering/works catering	"
316	575998	PCard Undistributed	21.55	20040106	KARL WILKINS	Catering/works catering	"
317	575998	PCard Undistributed	22.77	20040106	KARL WILKINS	Catering/works catering	"
318	575998	PCard Undistributed	31.54	20040106	KARL WILKINS	Catering/works catering	"
319	575998	PCard Undistributed	38.92	20040106	KARL WILKINS	Catering/works catering	"
320	575998	PCard Undistributed	56.73	20040106	KARL WILKINS	Catering/works catering	"
321	575998	PCard Undistributed	70.54	20040106	KARL WILKINS	Catering/works catering	"
322	575998	PCard Undistributed	87.53	20040106	KARL WILKINS	Catering/works catering	"
323	575998	PCard Undistributed	106.52	20040106	KARL WILKINS	Catering/works catering	"
324	575998	PCard Undistributed	23.15	20050203	MERRY A COOPER	Catering/works catering	"
325	575998	PCard Undistributed	24.00	PARADISE BAKERY	MERRY A COOPER	Catering/works catering	"
326	575998	PCard Undistributed	173.00	PARADISE BAKERY	MERRY A COOPER	Catering/works catering	"
327	504500	Other Welf Oper AG	68.48	Bigus, Robert	Travel Reimbursement	Customer service	"
328	535000	Contr Svc-Other Oper AG	17,770.00	Brownholtz & Associates LLC	CANDIDATE BRIAN VANDENSO	Personnel recruitment charges	"
329	535000	Contr Svc-Other Oper AG	5,000.00	Brownholtz & Associates LLC	SEARCH&SELECTION RETAINE	Personnel recruitment charges	"
330	535000	Contr Svc-Other Oper AG	858.35	Spain Renee Tatum	7/25-8/7/05 gen	Personnel recruitment charges	"
331	535000	Contr Svc-Other Oper AG	332.50	Spain, Renee Tatum	8/22/05-9/3/05	Personnel recruitment charges	"
332	535000	Contr Svc-Other Oper AG	1,239.92	Spain, Renee Tatum	8/8/05-8/20/05	Personnel recruitment charges	"
333	535000	Contr Svc-Other Oper AG	22,500.00	Management Recruiters of Scott	JEFF HILL	Personnel recruitment charges	"
334	504620	Employee Physical Exam AG	167.44	Jobing.com	3 POSTINGS	Personnel recruitment charges	"
335	504620	Employee Physical Exam AG	546.00	Jobing.com	3 POSTINGS	Personnel recruitment charges	"
336	504620	Employee Physical Exam AG	100.00	MCCCD GATEWAY	SHIRLEY L WATKINS	Personnel recruitment charges	"
337	504620	Employee Physical Exam AG	5.00	AMEX FEE	SHIRLEY L WATKINS	Personnel recruitment charges	"
338	504620	Employee Physical Exam AG	103.10	COUNTRY INN & SUITES PHOE	SHIRLEY L WATKINS	Personnel recruitment charges	"
339	504620	Employee Physical Exam AG	103.10	COUNTRY INN & SUITES PHOE	SHIRLEY L WATKINS	Personnel recruitment charges	"
340	504620	Employee Physical Exam AG	238.40	UNITED AIR	SHIRLEY L WATKINS	Personnel recruitment charges	"
341	535000	Contr Svc-Other Oper AG	4,843.16	Alexander K Group	LICENSE	Personnel recruitment charges	"
342	535000	Contr Svc-Other Oper AG	25,000.00	JRP Group M R Of Keystone/Vail	RAYMOND YANG 1/17/05	Personnel recruitment charges	"
343	575240	Co Dues/Membership Deduct	130.00	20050317	DALE E CONOVER	Other charges	CO. REMOVED SIMILAR EXPENSES
344	575240	Co Dues/Membership Deduct	110.00	20050407	ARTHUR W FAILLO	Other charges	"
345	575240	Co Dues Deduct NAWC	19,019.61	NAWC-Washington DC	NAWC - Annual - Arizona	Other charges	"
346	575271	Directors Expenses	203.57	Duque, Henry M	Brd Mtg Exp 12/13/04	Other charges	IS THIS AN APPROPRIATE EXPENSE
347	575240	Co Dues/Membership Deduct	45.00	ACTEVA.COM ONLINE EVENTS	CLIFFORD D WAHLERS	Other charges	"
348	575240	Co Dues/Membership Deduct	45.00	ACTEVA.COM ONLINE EVENTS	JOHNNY L REYNOLDS	Other charges	"
349	575240	Co Dues/Membership Deduct	200.00	California, State of	Geologist License/Renewal	Other charges	"
350	575270	Directors Fees	500.00	Georgeson, Duane L-DIRECTOR FE	Brd Mtg Attend 12/13/04	Collection Agency Fees :Z	"
351	575270	Directors Fees	500.00	Duque, Henry M	Brd Mtg Attend 12/13/04	Collection Agency Fees :Z	"
352	575270	Directors Fees	1,000.00	Georgeson, Duane L-DIRECTOR FE	1st Qtr Retainer-AZ 2005	Collection Agency Fees :Z	"
353	575270	Directors Fees	1,000.00	Duque, Henry M	1st Qtr Retainer-2005 AZ	Collection Agency Fees :Z	"
354	575270	Directors Fees	500.00	Georgeson, Duane L-DIRECTOR FE	Attendance 4/11/05 AZ	Collection Agency Fees :Z	"
355	575270	Directors Fees	500.00	Duque, Henry M	Attendance 4/11/05 AZ	Collection Agency Fees :Z	"
356	575270	Directors Fees	1,000.00	Duque, Henry M	AZ Qtrly retainer fee 20	Collection Agency Fees :Z	"
357	575270	Directors Fees	1,000.00	Georgeson, Duane L-DIRECTOR FE	AZ Qtrly Retainers Fee 2	Collection Agency Fees :Z	"
358	575270	Directors Fees	1,000.00	Duque, Henry M	2nd Qtr Retainer Fee-AZ	Collection Agency Fees :Z	"
359	575270	Directors Fees	1,000.00	Georgeson, Duane L-DIRECTOR FE	2nd Qtr Retainer Fee-AZ	Collection Agency Fees :Z	"
360	575270	Directors Fees	500.00	Duque, Henry M	7/18 Brd Mtg Attend - AZ	Collection Agency Fees :Z	"
361	575270	Directors Fees	500.00	Georgeson, Duane L-DIRECTOR FE	7/18 Brd Mtg Attend - AZ	Collection Agency Fees :Z	"
362	575270	Directors Fees	1,000.00	Georgeson, Duane L-DIRECTOR FE	AZ Qtrly Retainers Fee 2	Collection Agency Fees :Z	"
363	575270	Directors Fees	1,000.00	Duque, Henry M	AZ Qtrly retainer fee 20	Collection Agency Fees :Z	"
364	575270	Directors Fees	500.00	Duque, Henry M	10/02 Addendance Fee	Collection Agency Fees :Z	"
365	575270	Directors Fees	500.00	Georgeson, Duane L-DIRECTOR FE	10/10 Attendance Fee	Collection Agency Fees :Z	"
366	575271	Directors Expenses	432.41	Georgeson, Duane L-DIRECTOR FE	Brd Mtg Exp 10/18-19/04	Collection Agency Fees :Z	"

WORKPAPERS
EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6 - CONT'
RUCO ADDITIONAL ADJUSTMENTS TO COMPANY'S MISCELLANEOUS EXPENSES - CORPORATE DIVISION

LINE NO	(A)	(B)	(C)	(D)	(E)	(F)	(G)
NO	CATEGORY		AMOUNT	DESCRIPTION			RUCO'S CONCERN
367	575271	Directors Expenses	77.82	Georgeson, Duane L-DIRECTOR FE	Brd Mtg Expense Reimbrsm	Collection Agency Fees	IS THIS AN APPROPRIATE EXPENSE
368	575271	Directors Expenses	140.18	Duque, Henry M	Brd Mtg Exp Reimbursemt	Collection Agency Fees	"
369	575271	Directors Expenses	402.16	Georgeson, Duane L-DIRECTOR FE	Brd Mtg Exp Reimbursemen	Collection Agency Fees	"
370	575271	Directors Expenses	375.98	Duque, Henry M	Brd Mtg Exp Reimbursemt	Collection Agency Fees	"
371	575271	Directors Expenses	154.31	Duque, Henry M	Meeting Exp 4/11/05	Collection Agency Fees	"
372	575240	Co Dues/Membership Deduct	55.00	20050310	CAMILA C FERNANDEZ	Collection Agency Fees	"
373	575240	Co Dues/Membership Deduct	118.00	20050310	GREGORY N WILLIAMSON	Collection Agency Fees	"
374	575240	Co Dues/Membership Deduct	3,500.00	Water Utilities Association of	WUAA's 2005 Dues	Collection Agency Fees	"
375	575998	PCard Undistributed	30.52	SAFEWAY STORE	JAMES TAYLOR	Hospitality Expenses	"
376	575998	PCard Undistributed	18.50	NEW CHINA SUPER BUFFET	NINA E MILLER	Suspense-Do Not Use	"
377	504500	Other Welf Oper AG	645.00	BIZJOURNALS	KATHLEEN M WHEAT	Suspense-Do Not Use	"
378	575998	PCard Undistributed	10.00	AMEXFEE	NINA E MILLER	Suspense-Do Not Use	"
379	575998	PCard Undistributed	5.00	AMEXFEE	NINA E MILLER	Suspense-Do Not Use	"
			<u>\$ 218,919.77</u>				

As Per Company Response To Staff Data Request SDR 9.3

Q: k. Credit Line Fee	\$ 33,797
Q: dd. Mmgt Fees Bsn Change-Corp	459,998
Q: ff. Mmgt Fees P13880-Corp	31,392
RUCO's Expenses To Be Removed	<u>\$ (744,107)</u>
	<u>-46.30%</u>
Removal Of The West Region Service Company	\$ 344,521
	41.37%
Adding Back In The AZ-AM Portion	<u>\$ (142,529)</u>
	11.24%
Anthem's Portion	\$ (16,020)
As Per Company Response To Staff Data Request SDR 9.3	
Q: ee. Mmgt Fees Bsn Change-Region	\$ 1,033
Q: gg. Mmgt Fees P13880-Region	<u>\$ (1,692)</u>
Total Adjustment To Misc. Expenses - Corporate	<u>\$ (16,679)</u>
	50.00%
RUCO's Adjustment (Split 50/50 Water / Wastewater)	<u>\$ (8,010)</u>

WORKPAPERS
RUCO ADDITIONAL ADJUSTMENTS TO COMPANY'S MISCELLANEOUS EXPENSES
CENTRAL DIVISION

LINE NO	(A) CATEGORY	(C) AMOUNT	(D) DESCRIPTION	(E) DESCRIPTION	(F) RUCO CONCERN	(G) RUCO CONCERN
1	575000 Misc Oper TD	706	Grainger -Dept 600-808332266	inv9342623593	Luminaires for outdoor lighti	CO. REMOVED SIMILAR EXPENSES
2	575710 Security Service AG	177	20050505	BERT L REYNOLDS	Luminaires for outdoor lighti	"
3	575710 Security Service AG	182	20050505	BERT L REYNOLDS	Luminaires for outdoor lighti	"
4	575000 Misc Oper AG	86	Grainger -Dept 600-808332266	ACCT 6008083322	Portable luminaires	"
5	575000 Misc Oper AG	46	Grainger -Dept 600-808332266	ACCT 6008083322	Portable luminaires	"
6	575000 Misc Oper AG	17	Grainger -Dept 600-808332266	ACCT 6008083322	Portable luminaires	"
7	575000 Misc Oper AG	86	Grainger -Dept 600-808332266	CUST 6008083322	Portable luminaires	"
8	575000 Misc Oper AG	86	Grainger -Dept 600-808332266	CUST 600 808332	Portable luminaires	"
9	575710 Security Service AG	450	STEVEN S DIAZ LAWN MAINT	ROBERT GARCIA	Components, physical protecti	IS THIS AN APPROPRIATE EXPENSE
10	575710 Security Service AG	5,930	STEVEN S DIAZ LAWN MAINT	ROBERT GARCIA	Components, physical protecti	"
11	575000 Misc Oper AG	406	OFFICE MAX	CHRISTOPHER L GUNDERSON	Cameras	IS THIS AN APPROPRIATE EXPENSE
12	575000 Misc Oper TD	276	Ken's Sign Service Inc	SERVICES	Decorative fabrics	"
13	575625 Overnight Shipping AG	227	20050317	JAMES A GROOMAN	Sitting/lying furniture	"
14	575625 Overnight Shipping AG	554	20050317	JAMES A GROOMAN	Sitting/lying furniture	"
15	575625 Overnight Shipping AG	256	20040106	JAMES A GROOMAN	Canteen furnishings	"
16	575000 Misc Oper TD	65	Ice Wagon The-PO/REMIT	service	Kitchenware/cutlery	"
17	575000 Misc Oper TD	165	Ice Wagon The-PO/REMIT	ICE SUPPLY	Kitchenware/cutlery	"
18	575000 Misc Oper TD	72	ACE HARDWARE	ROBERT GARCIA	Kitchenware/cutlery	"
19	504500 Other Well Oper AG	42	AMERICAN WATER WORKS	PHYLLIS WINDHAM	Newspapers, magazines, brochu	"
20	504610 Employee Awards AG	25	20040106	ROBERT GARCIA	Service Awards and Premiums	∩
21	504610 Employee Awards AG	30	20040106	PHYLLIS WINDHAM	Service Awards and Premiums	∩
22	504610 Employee Awards AG	126	20040106	PHYLLIS WINDHAM	Service Awards and Premiums	∩
23	504610 Employee Awards AG	20	20050127	PHYLLIS WINDHAM	Service Awards and Premiums	∩
24	504610 Employee Awards AG	25	20050210	PHYLLIS WINDHAM	Service Awards and Premiums	∩
25	504610 Employee Awards AG	96	Tharpe Company Inc-REMIT	sales order #353367	Service Awards and Premiums	∩
26	504610 Employee Awards AG	25	20050505	PHYLLIS WINDHAM	Service Awards and Premiums	∩
27	504610 Employee Awards AG	124	Tharpe Company Inc-REMIT	CUST# 8549	Service Awards and Premiums	∩
28	504610 Employee Awards AG	64	OFFICE MAX	ARTHUR W FAIELLO	Service Awards and Premiums	∩
29	504610 Employee Awards AG	25	TARGET	PHYLLIS WINDHAM	Service Awards and Premiums	∩
30	504610 Employee Awards AG	70	WAL MART	PHYLLIS WINDHAM	Service Awards and Premiums	∩
31	504610 Employee Awards AG	96	FEDEX KINKO'S	ARTHUR W FAIELLO	Service Awards and Premiums	∩
32	504610 Employee Awards AG	628	ARROWHEAD TOWNE CENTER	PHYLLIS WINDHAM	Service Awards and Premiums	∩
33	575620 Office & Admin Supplies WT	27	20050317	JEFFEREY A MARLOW	General materials for busines	"
34	575000 Misc Oper TD	119	Ice Wagon The-PO/REMIT	Ice	Beverages	"
35	575000 Misc Oper TD	165	Ice Wagon The-PO/REMIT	ICE	Beverages	"
36	575000 Misc Oper TD	165	Ice Wagon The-PO/REMIT	SUPPLIES	Beverages	"
37	575000 Misc Oper TD	118	Ice Wagon The-PO/REMIT	ICE SUPPLY	Beverages	"
38	575000 Misc Oper TD	146	Ice Wagon The-PO/REMIT	ICE SUPPLY	Beverages	"
39	575000 Misc Oper TD	165	Ice Wagon The-PO/REMIT	ICE SUPPLY	Beverages	"
40	575000 Misc Oper TD	133	Ice Wagon The-PO/REMIT	ICE SUPPLY	Beverages	"
41	575000 Misc Oper TD	165	Ice Wagon The-PO/REMIT	ICE SUPPLY	Beverages	"
42	575000 Misc Oper AG	61	20050203	YGNASIO SAMARRIPA	Beverages	"
43	575000 Misc Oper AG	8	GRAINGER.COM	THOMAS G WINTER	Beverages	"
44	575000 Misc Oper AG	49	GRAINGER.COM	THOMAS G WINTER	Beverages	"
45	504670 Training AG	8	SHANGRI LA RESTAURANT	ALEXANDRA L TRELOAR	food	"
46	504670 Training AG	35	Huckeby, Nancy J -Petty Cash	Training	food	"
47	535001 Contr Svc-Temp Empl Oper AG	65	20050203	YGNASIO SAMARRIPA	food	"
48	535001 Contr Svc-Temp Empl Oper AG	137	20050421	YGNASIO SAMARRIPA	food	"
49	535001 Contr Svc-Temp Empl Oper AG	36	DOMINO'S PIZZA #	YGNASIO SAMARRIPA	food	"
50	535001 Contr Svc-Temp Empl Oper AG	77	RED LOBSTER US	YGNASIO SAMARRIPA	food	"
51	550000 Transport Maint TD	409	Huckeby, Nancy J -Petty Cash	Towing	food	"
52	550003 Trans Oper AG Lease Maint	15	Huckeby, Nancy J -Petty Cash	Vehicle Tags	food	"
53	575220 Community Relations	26	FLYING J SUNSHINE REST	ARTHUR W FAIELLO	food	"
54	575240 Co Dues/Membership Deduct	261	Costco Membership	Membership Dues	food	"
55	575460 Grounds Keeping AG	43	20050519	JAMES TAYLOR	food	"
56	575460 Grounds Keeping AG	48	20050519	JAMES TAYLOR	food	"
57	575460 Grounds Keeping AG	61	20050519	JAMES TAYLOR	food	"
58	575820 Uniforms TD	5	Huckeby, Nancy J -Petty Cash	supplies	food	"
59	504500 Other Well Oper AG	55	20050303	PHYLLIS WINDHAM	Useful plants	"
60	504610 Employee Awards AG	57	LAKESIDE FLORIST	PHYLLIS WINDHAM	Useful plants	"
61	504610 Employee Awards AG	50	PROFLOWERS.COM	PHYLLIS WINDHAM	Useful plants	"
62	575000 Misc Oper TD	103	Professional Plants & Inc-PO/R	NEW BROMELIADS	Useful plants	"
63	504610 Employee Awards AG	55	PROFLOWERS.COM	PHYLLIS WINDHAM	Ornamental plants	"
64	575460 Grounds Keeping TD	310	STEVEN S DIAZ LAWN MAINT	ROBERT GARCIA	Landscaping/Lawn Mowing	"
65	575460 Grounds Keeping AG	760	Broken Arrow Landscape - REMIT	LawnMaintenance/AZ Amer w	Landscaping/Lawn Mowing	"
66	575460 Grounds Keeping AG	760	Broken Arrow Landscape - REMIT	LawnMaintenance/AZ Amer w	Landscaping/Lawn Mowing	"
67	575460 Grounds Keeping AG	760	Broken Arrow Landscape - REMIT	LawnMaintenance/AZ Amer w	Landscaping/Lawn Mowing	"
68	575460 Grounds Keeping AG	760	Broken Arrow Landscape - REMIT	Diaz - Sun City AZ	Landscaping/Lawn Mowing	"
69	575460 Grounds Keeping AG	760	Broken Arrow Landscape - REMIT	Diaz - Sun City AZ	Landscaping/Lawn Mowing	"
70	575460 Grounds Keeping AG	760	Broken Arrow Landscape - REMIT	Diaz - Sun City AZ	Landscaping/Lawn Mowing	"
71	575460 Grounds Keeping AG	760	Broken Arrow Landscape - REMIT	Diaz - Sun City AZ	Landscaping/Lawn Mowing	"
72	575460 Grounds Keeping AG	760	Broken Arrow Landscape - REMIT	Diaz - Sun City AZ	Landscaping/Lawn Mowing	"
73	575460 Grounds Keeping AG	760	Broken Arrow Landscape - REMIT	Diaz - Sun City AZ	Landscaping/Lawn Mowing	"
74	575460 Grounds Keeping AG	760	Broken Arrow Landscape - REMIT	Diaz - Sun City AZ	Landscaping/Lawn Mowing	"
75	575460 Grounds Keeping AG	760	Broken Arrow Landscape - REMIT	Diaz - Sun City AZ	Landscaping/Lawn Mowing	"
76	504500 Other Well Oper AG	114	Independent Newspaper Inc-Dela	BILLED ACCOUNT#	Other advertising	CO. REMOVED SIMILAR EXPENSES
77	550000 Transport Maint TD	301	Serious Signs & Specialties -	JOB #16058	Artistic services	CO. REMOVED SIMILAR EXPENSES
78	550000 Transport Maint TD	68	Serious Signs & Specialties -	JOB # 16313	Artistic services	"
79	550000 Transport Maint TD	275	Serious Signs & Specialties -	JOB # 16346	Artistic services	"
80	550000 Transport Maint TD	26	Serious Signs & Specialties -	CUST 233	Artistic services	"
81	550000 Transport Maint TD	792	Serious Signs & Specialties -	CUST # 233 JOB	Artistic services	"
82	550000 Transport Maint TD	263	Serious Signs & Specialties -	CUST 233	Artistic services	"
83	504500 Other Well Oper AG	94	RURAL METRO AZ EMS	PHYLLIS WINDHAM	Car rentals	IS THIS AN APPROPRIATE EXPENSE
84	504500 Other Well Oper AG	19	Huckeby, Nancy J -Petty Cash	Milage	Travel Incidentals	"
85	504500 Other Well Oper AG	183	Huckeby, Nancy J -Petty Cash	Milage	Travel Incidentals	"
86	550000 Transport Maint TD	216	AUTO STYLE INC	RAYMOND MAHONEY	Travel Incidentals	"
87	575220 Community Relations	19	FLYING J/CFJ	ARTHUR W FAIELLO	Travel Incidentals	"
88	575220 Community Relations	51	FLYING J/CFJ	ARTHUR W FAIELLO	Travel Incidentals	"
89	504670 Training AG	45	ACTEVA.COM ONLINE EVENTS	ROBERT GARCIA	In-house training/seminars	"
90	504670 Training AG	45	ACTEVA.COM ONLINE EVENTS	PHYLLIS WINDHAM	External training/seminars	"
91	504670 Training AG	45	ACTEVA.COM ONLINE EVENTS	PHYLLIS WINDHAM	External training/seminars	"

**EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 7
INCOME TAX EXPENSE**

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
FEDERAL INCOME TAXES:			
1	Operating Income Before Taxes	Sch. RLM-6, Column (C), L25 + L22	\$ 270,673
LESS:			
2	Arizona State Tax	Line 11	21,974
3	Interest Expense	Note (A) Line 22	(586,035)
4	Federal Taxable Income	Sum Of Lines 1 Thru 3	\$ (293,387)
5	Federal Tax Rate	Sch. RLM-1, Pg 2, Col. (D), L34	34.00%
6	Federal Income Tax Expense	Line 4 X line 5	\$ (99,752)
STATE INCOME TAXES:			
7	Operating Income Before Taxes	Line 1	\$ 270,673
LESS:			
8	Interest Expense	Note (A) Line 22	(586,035)
9	State Taxable Income	Line 7 - Line 8	\$ (315,362)
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	\$ (21,974)
TOTAL INCOME TAX EXPENSE:			
12	Federal Income Tax Expense	Line 6	\$ (99,752)
13	State Income Tax Expense	Line 11	(21,974)
14	Total Income Tax Expense Per RUCO	Line 12 + Line 13	\$ (121,726)
15	Total Income Tax Expense Per Company (Per Company Sch. C-1)		-
16	Total Income Tax Adjustmen	Line 14 - Line 15	\$ (121,726)
17	Company As Filed		\$ (237,148)
18	Difference		\$ 115,422
19	RUCO Adjustment (See Sch. RLM-7, Column (J))		\$ 115,422

NOTE (A):

Interest Synchronization:

20	Adjusted Rate Base (Sch. RLM-2, Col. (E), L15)	\$ 18,188,546
21	Weighted Cost Of Debt (Sch. RLM-16, Col. (F), L1)	3.22%
22	Interest Expense (L17 X L18)	\$ 586,035

RATE DESIGN AND PROOF OF RUCO RECOMMENDED REVENUE

LINE NO.	DESCRIPTION	(A) TEST YEAR ADJUSTED DETERMIN"TS	(B) PROPOSED CHARGES & USAGE FEES	(C) RUCO PROPOSED REVENUES	(D) TOTAL REVENUES
RESIDENTIAL CUSTOMERS					
1	All	110,591	\$ 25.33	\$ 2,801,695	
2	Total Customers	<u>110,591</u>			\$ 2,801,695
Commodity Usage					
3	First Tier	587,702,327	\$ 3.50	\$ 2,055,676	
4	Second Tier	459,256,000	No Charge	-	
5	Total Usage	<u>1,046,958,327</u>			\$ 2,055,676
6	TOTAL RESIDENTIAL CUSTOMERS REVENUE				<u>\$ 4,857,371</u>
COMMERCIAL CUSTOMERS					
7	Commercial - 5/8"	49	\$ 25.33	\$ 1,241	
8	Commercial - 3/4"	12	\$ 38.04	456	
9	Commercial - 1"	134	\$ 50.72	6,798	
10	Commercial - Large	823	\$ 101.41	83,417	
11	Total Customers	<u>1,018</u>			\$ 91,913
Commodity Usage					
12	First Tier	62,812,410	\$ 3.50	\$ 219,706	
13	Second Tier	4,469,000	No Charge	-	
14	Total Usage	<u>67,281,410</u>			\$ 219,706
15	TOTAL COMMERCIAL CUSTOMERS REVENUE				<u>\$ 311,620</u>
WHOLESALE CUSTOMERS					
16	Treatco - All	23	No Charge		
Commodity Usage					
17	All Usage	219,458,000	\$ 3.86	\$ 846,617	
18	Total Usage	<u>219,458,000</u>			\$ 846,617
19	TOTAL WHOLESALE CUSTOMERS REVENUE				<u>\$846,617</u>
20	TOTAL RUCO PROPOSED REVENUE PER BILL COUNT				<u>\$ 6,015,607</u>
21	Other Wastewater Revenues				\$ 1,652,448
22	ADJUSTED RUCO PROPOSED REVENUE PER BILL COUNT				<u>\$ 7,668,055</u>
23	TOTAL RUCO RECOMMENDED REVENUE (Per RLM-6, Col. (E), L 1)				<u>\$ 7,668,055</u>
24	Difference				\$ 0

TYPICAL RESIDENTIAL BILL ANALYSIS

LINE NO.	DESCRIPTION	(A) PRESENT	(B)	(C) COMPANY PROPOSED	(D)	(E) RUCO PROPOSED	(F)
REVENUE ALLOCATION							
1	RESIDENTIAL	\$ 3,443,270	88.08%	\$ 5,638,913	80.75%	\$ 4,857,371	80.75%
2	OTHER	\$ 466,091	11.92%	\$ 1,344,594	19.25%	\$ 1,158,236	19.25%
3	TOTAL	<u>\$ 3,909,361</u>	<u>100.00%</u>	<u>\$ 6,983,507</u>	<u>100.00%</u>	<u>\$ 6,015,607</u>	<u>100.00%</u>
ALLOCATION RATIOS							
4	FIX REVENUE	2,133,219	54.57%	\$ 3,359,184	48.10%	\$ 2,893,608	48.10%
5	VARIABLE REVENUE	1,776,142	45.43%	\$ 3,624,323	51.90%	\$ 3,121,999	51.90%
6	TOTAL	<u>3,909,361</u>	<u>100.00%</u>	<u>\$ 6,983,507</u>	<u>100.00%</u>	<u>\$ 6,015,607</u>	<u>100.00%</u>
E2MS1 ALL RESIDENTIAL RATE DESIGN							
		<u>PRESENT</u>		<u>COMPANY PROPOSED</u>		<u>RUCO PROPOSED</u>	
7	BASIC MONTHLY CHARGE	\$ 20.30		\$ 29.42		\$ 25.33	
8	COMMODITY CHARGE						
9	All Residential - First 7,000 Gallons	\$ 2.5450		\$ 4.0620		\$ 3.4978	
10	All Residential - Over 7,000 Gallons	\$ -		\$ -		\$ -	
RESIDENTIAL BILL COMPARISONS							
	COST OF WASTEWATER SERVICE AT DIFFERENT LEVELS OF USAGE WITH PERCENTAGE INCREASE IN BILL		% OF AVERAGE MONTH USAGE OF 9,682 Gal.	PRESENT MONTHLY WATER COST	RUCO PROP'D MONTHLY WATER COST	RUCO PROP'D MONTHLY INCREASE	RUCO PROP'D MONTHLY % INCREASE
11			25.00%	\$ 26.46	\$ 33.80	\$ 7.34	27.74%
12			50.00%	\$ 32.62	\$ 42.27	\$ 9.65	29.57%
13			100.00%	\$ 38.12	\$ 49.82	\$ 11.70	30.71%
14			150.00%	\$ 38.12	\$ 49.82	\$ 11.70	30.71%
15			200.00%	\$ 38.12	\$ 49.82	\$ 11.70	30.71%

COST OF CAPITAL

LINE NO.	DESCRIPTION	(A) CAPITALIZ'N PER COMPANY	(B) RUCO ADJM'TS	(C) RUCO ADJUSTED CAPITALIZ'N	(D) CAPITAL RATIO	(E) COST	(F) WEIGHTED COST RATE
1	DEBT	\$ 25,860,370	\$ -	\$ 25,860,370	60.00%	5.37%	3.22%
2	PREFERRED STOCK	-	-	-	0.00%	0.00%	0.00%
3	COMMON EQUITY	17,240,246	-	17,240,246	40.00%	10.27%	4.11%
4	TOTAL CAPITALIZATION	<u>\$ 43,100,616</u>	<u></u>	<u>\$ 43,100,616</u>	<u>100.00%</u>		
5	WEIGHTED COST OF CAPITAL						<u><u>7.33%</u></u>

References:

Columns (A) Thru (F): Testimony, WAR